THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Broad Intelligence International Pharmaceutical Holdings Limited** (the "**Company**"), you should at once hand this circular with the accompanying form of proxy to the purchaser, transferee, bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED
博智國際藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1149)

(1) VERY SUBSTANTIAL ACQUISITION
AND
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to the Company

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

A letter from the board of directors of the Company is set out on pages 6 to 36 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 13 October 2009 at 10:00 a.m. was set out on pages 237 to 239 of this circular.

Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, should you so wish.

25 September 2009

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Shareholder's Loan by the Purchaser from the Vendors pursuant to the Share Transfer Agreement
"Announcement"	the announcement dated 4 September 2009 made by the Company in relation to the Acquisition
"An-xin"	深圳市安芯數字發展有限公司 (Shenzhen An-xin Digital Development Co., Limited), a company incorporated in the PRC with limited liability
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business
"Company"	Broad Intelligence International Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	the completion of the Share Transfer Agreement in accordance with the terms thereof
"Completion Date"	the 7th Business Day after the fulfillment or waiver of the conditions precedent of the Share Transfer Agreement (or such other date as may be agreed between the parties to the Share Transfer Agreement)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Consideration Share(s)"	131,000,000 new Shares to be allotted and issued to Vendor 1 (or its nominee(s)) by the Company on Completion as part of the consideration of the Acquisition
"Conversion Price"	HK$0.65 per Share, which is subject to adjustment pursuant to the terms of the Convertible Note upon the occurrence of certain events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issue of convertible securities by the Company
"Conversion Share(s)"	Share(s) to be issued upon exercise of the conversion rights attached to the Convertible Note
"Convertible Note"	the Tranche 1 Convertible Note and the Tranche 2 Convertible Note
"Director(s)"	director(s) of the Company
"Eagle Champion"	Eagle Champion Holdings Limited, a company incorporated in Hong Kong with limited liability
"EGM"	the extraordinary general meeting of the Company to be convened and held by the Company at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 13 October 2009 at 10:00 a.m. for the Shareholders to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Convertible Note upon Completion and the Conversion Shares which may be issued pursuant to the terms of the Convertible Note; and (ii) the increase in the Company's authorised share capital
"Enlarged Group"	the Company and its subsidiaries immediately after Completion
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Yang Kezhi and Ms. Wu Wenying
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Last Trading Day"	28 August 2009, being the last day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending the release of the Announcement
"Latest Practicable Date"	22 September 2009, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"PRC GAAP"	People's Republic of China Generally Accepted Accounting Principles
"Purchaser"	Hover Rise Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
"Sale Shares"	100 shares of US$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Share Transfer Agreement and the Latest Practicable Date
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Transfer Agreement"	the conditional agreement dated 31 August 2009 entered into among the Company, the Purchaser, the Vendors and the Guarantors in relation to the Acquisition (as amended and supplemented by the Supplemental Agreement)
"Shareholder(s)"	holder(s) of the Share(s)

"Shareholder's Loan"	the full amount of the shareholder's loan owed by the Target Company to Vendor 1 as at the Completion Date. As at the Latest Practicable Date, the amount of the shareholder's loan owed by the Target Company to Vendor 1 was of RMB83 million
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 4 September 2009 entered into among the Company, the Purchaser, the Vendors and the Guarantors to amend the terms of the Share Transfer Agreement
"Takeovers Code"	The Hong Kong Code of Takeovers and Mergers
"Target Company"	Eagle Mascot Limited, a company incorporated in the British Virgin Islands with limited liability
"Target Group"	the Target Company, Eagle Champion, An-xin and 深圳市安科安全生產信息服務有限公司 (Shenzhen Anke Safety Production Information Services Co., Limited) as at the Latest Practicable Date
"Tranche 1 Convertible Note"	the non-listed Convertible Note of an amount of HK$889.85 million to be issued by the Company to Vendor 1 to satisfy part of the consideration under the Acquisition
"Tranche 2 Convertible Note"	the non-listed Convertible Note of an amount of HK$290 million to be issued by the Company to Vendor 2 to satisfy part of the consideration under the Acquisition
"Vendor 1"	Talent Eagle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendor 2"	Heroic Rich Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendors"	Vendor 1 and Vendor 2
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%" or "per cent"	Percentage

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail.

BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED
博智國際藥業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1149)

Executive Directors:
Mr. ZHONG Houtai *(Chairman)*
Mr. ZHONG Houyao
Mr. CHONG Hoi Fung
Mr. SUN Daquan

Independent Non-executive Directors:
Mr. PEI Renjiu
Mr. LI Kai Ming
Mr. CHEUNG Chuen

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Office in Hong Kong:
Unit 1903
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

25 September 2009

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION
AND
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 4 September 2009, the Board announced that the Company, the Purchaser, the Vendors and the Guarantors entered into the Share Transfer Agreement and the Supplemental Agreement on 31 August 2009 and 4 September 2009 respectively, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell (i) the Sale Shares; and (ii) the Shareholder's Loan at a consideration of HK$1,300 million (subject to adjustment as detailed in the paragraph headed "Profit guarantee and adjustments for the consideration of the Acquisition" below).

As the applicable percentage ratios as defined in the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to the reporting, announcement, and shareholders' approval at general meeting requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Vendors and their respective associates did not hold any Shares and no Shareholders and their associates had a material interest in the Acquisition. No Shareholder is required to abstain from voting on the resolution(s) in respect of the Share Transfer Agreement at the EGM.

The purpose of this circular is to provide you with further details, in relation to, among other things, (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; (ii) the proposed increase in the Company's authorised share capital; and (iii) a notice of the EGM which will be convened and held for the Shareholders to consider and, if thought fit, approve (a) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Convertible Note upon Completion and the Conversion Shares which may be issued pursuant to the terms of the Convertible Note; and (b) the increase in the Company's authorised share capital.

THE ACQUISITION

THE SHARE TRANSFER AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Date	:	31 August 2009 (the Share Transfer Agreement)
		4 September 2009 (the Supplemental Agreement)
Parties:		
Vendors	:	Talent Eagle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.
		Heroic Rich Limited, a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.
		To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Purchaser	:	Hover Rise Limited, a wholly-owned subsidiary of the Company and is an investment holding company.
Guarantors	:	Mr. Yang Kezhi, the ultimate beneficial owner of Vendor 1.
		Ms. Wu Wenying, the ultimate beneficial owner of Vendor 2.
Company	:	the Company.

Subject matter of the Share Transfer Agreement

Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell (i) the Sale Shares, representing the entire issued share capital of the Target Company, free from encumbrance and together with all rights now or hereinafter attached thereto including but not limited to all dividends and distribution declared, paid or made in respect thereof on or after the Completion Date; and (ii) the Shareholder's Loan.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group.

The consideration for the Acquisition

The aggregate consideration for the Acquisition is HK$1,300 million (subject to adjustment as detailed in the paragraph headed "Profit guarantee and adjustments for the consideration of the Acquisition" below). Vendor 1 has conditionally agreed to assign the Shareholder's Loan to the Purchaser at a nominal value of HK$1.

The consideration for the Acquisition payable by the Purchaser to Vendor 1 is HK$975 million (subject to adjustment as detailed in the paragraph headed "Profit guarantee and adjustments for the consideration of the Acquisition" below), of which:

(i) HK$85.15 million shall be satisfied by procuring the Company to allot and issue the Consideration Shares to Vendor 1 (or its nominee(s)) upon Completion; and

(ii) HK$889.85 million shall be satisfied by procuring the Company to issue the Tranche 1 Convertible Note to Vendor 1 (or its nominee(s)) upon Completion.

The consideration for the Acquisition payable by the Purchaser to Vendor 2 shall be HK$325 million (subject to adjustment as detailed in the paragraph headed "Profit guarantee and adjustments for the consideration of the Acquisition" below), of which:

(i) HK$35 million shall be satisfied in cash from internal resources of the Group; and

(ii) HK$290 million shall be satisfied by procuring the Company to issue the Tranche 2 Convertible Note to Vendor 2 (or its nominee(s)) upon Completion.

The consideration for the Acquisition has been determined after arm's length negotiation between the Purchaser and the Vendors with reference to, among other things, (i) the price-to-earnings ratios of 13 and 10 times, which are within the range of the price-to-earnings ratios of companies listed in Hong Kong whose principal activity is the provision of information technology services and solutions which is similar to that of An-xin; (ii) the 2009 Profit Guarantee and the 2010 Profit Guarantee (as defined below); (iii) the Shareholder's Loan; and (iv) the prospect of the information technology industry in which An-xin operates as mentioned in the paragraph headed "Reasons for the Acquisition" below.

The Directors consider the consideration for the Acquisition is fair and reasonable and on normal commercial terms and that the entering into the Share Transfer Agreement is in the interests of the Company and the Shareholders as a whole. The Directors also consider that the Acquisition (including issue of the Consideration Shares and the Conversion Shares) will not result in a change of control of the Company.

Profit guarantee and adjustments for the consideration of the Acquisition

Pursuant to the Share Transfer Agreement, the Vendors and the guarantors guarantee that the audited consolidated net profit after taxation and minority interests but before extraordinary items of An-xin, prepared in accordance with the PRC GAAP, for the year ending 31 December 2009 (the "**2009 Actual Profit**") shall not be less than HK$100 million (the "**2009 Profit Guarantee**") and the audited consolidated net profit after taxation and minority interests but before extraordinary items of An-xin, prepared in accordance with the PRC GAAP, for the year ending 31 December 2010 (the "**2010 Actual Profit**") shall not be less than HK$130 million (the "**2010 Profit Guarantee**").

In the event that An-xin fails to meet the 2009 Profit Guarantee, the Vendors shall indemnify the Purchaser the amount of the 2009 Compensated Amount (as defined below) by (i) first, deducting not more than HK$260 million from the Tranche 1 Convertible Note; and (ii) second, should the 2009 Compensated Amount exceeds HK$260 million, the balance shall by paid in cash by Vendor 1 and Vendor 2 on a proportional basis of 75% and 25%. The 2009 Compensated Amount shall be determined in accordance with the formula below:

*Amount to be compensated (the "**2009 Compensated Amount**") = (2009 Profit Guarantee – 2009 Actual Profit) x 13*

Solely for the purpose of the above calculation, the 2009 Actual Profit should be treated as zero if An-xin suffers audited consolidated net loss after taxation and minority interests but before extraordinary items for the year ending 31 December 2009.

In the event that An-xin fails to meet the 2010 Profit Guarantee, the Vendors shall indemnify the Purchaser the amount of the 2010 Compensated Amount (as defined below) by (i) first, deducting not more than HK$200 million from the Tranche 1 Convertible Note; and (ii) second, should the 2010 Compensated Amount exceeds HK$200 million, the balance shall be paid in cash by Vendor 1 and Vendor 2 on a proportional basis of 75% and 25%. The 2010 Compensated Amount shall be determined in accordance with the formula below:

*Amount to be compensated (the "**2010 Compensated Amount**") = (2010 Profit Guarantee – 2010 Actual Profit) x 10*

Solely for the purpose of the above calculation, the 2010 Actual Profit should be treated as zero if An-xin suffers audited consolidated net loss after taxation and minority interests but before extraordinary items for the year ending 31 December 2010.

For the avoidance of doubt, save and except for the adjustment mechanism as illustrated above, no additional compensation will be provided by the Vendors to the Purchaser in the event that An-xin is unable to achieve the 2009 Profit Guarantee or the 2010 Profit Guarantee or suffers any aggregate loss for year(s) ending 31 December 2009 and/or 31 December 2010.

Pursuant to the Share Transfer Agreement, Vendor 1 agreed that protection mechanisms shall be offered to the Purchaser to ensure the feasibility of deducting a maximum of HK$260 million and/or HK$200 million of the Tranche 1 Convertible Note in the event that the 2009 Profit Guarantee and/or the 2010 Profit Guarantee is not achieved. In this regard, upon Completion, Vendor 1 shall deposit HK$460 million of the Tranche 1 Convertible Note (the "**Escrowed Convertible Note**") to an escrow agent (the "**Escrow Agent**"), who shall be a third party independent of the Company and connected persons of the Company to secure Vendor 1's due performance of its obligations owning to the Purchaser under the 2009 Profit Guarantee and the 2010 Profit Guarantee.

For the avoidance of doubt, HK$260 million of the Escrowed Convertible Note (or the balance thereof after deduction of the 2009 Compensated Amount, if any) should be released to Vendor 1 if Vendor 1's obligations under the 2009 Profit Guarantee have been performed.

Conditions precedent to the Share Transfer Agreement

The completion of the Acquisition is conditional upon fulfillment of the following conditions:

(i) the passing of ordinary resolution(s) at the EGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Share Transfer Agreement and the transactions contemplated thereunder;

(ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;

(iii) all necessary consents and approvals (including those from the relevant government, regulatory bodies, authorities or third parties (including banks)) in relation to the transactions contemplated under the Share Transfer Agreement having been obtained by the Vendors and such consents and approvals should be valid up to the Completion Date and there having been no rules or regulations imposed by the relevant authorities (i) to forbid or seriously delay the sale of Sale Shares under the Share Transfer Agreement and Completion; or (ii) that will constitute material or adverse effect to the Target Group upon Completion;

(iv) the Certificate of Incumbency and the Certificate of Good Standing of the Target Company having been provided to the Purchaser and such certificates should not be dated earlier than 7 days before the Completion Date;

(v) the Purchaser being satisfied with and accepting the result of the due diligence review in relation to the Target Group;

(vi) the Purchaser having obtained and being satisfied with the legal opinion issued by a PRC legal adviser specialized in the PRC securities and corporate laws confirming the legal status and business of An-xin and other legal matters in connection with the Acquisition;

(vii) all warranties given by the Vendors remaining true and accurate in all respects and not misleading;

(viii) there being no material breach of the terms and conditions of the Share Transfer Agreement by the Vendors before the Completion Date; and

(ix) the acquisition of the Consideration Shares and the Convertible Note by the Vendors not constituting a deemed new listing by the Stock Exchange or a reverse takeover as defined under the Listing Rules.

If the above conditions have not been fulfilled or waived (other than conditions (i) and (ii) which may not be waived) by the Purchaser on or before 30 November 2009 (or such later date as the parties to the Share Transfer Agreement may agree in writing), the Share Transfer Agreement shall lapse and thereafter no party to the Share Transfer Agreement shall have any rights or obligations towards each others except in respect of any antecedent breach.

Completion

Completion shall take place on the 7th Business Day after the fulfillment or waiver of the conditions precedent of the Share Transfer Agreement (or such other date as may be agreed between the parties to the Share Transfer Agreement).

Consideration Shares

The issue price of HK$0.65 per Consideration Share represents:

(i) a discount of approximately 15.58% to the closing price of the Shares of HK$0.77 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 1.52% to the closing price of the Shares of HK$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 7.67% to the average of the closing price of HK$0.704 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 12.46% to the average of the closing price of approximately HK$0.578 per Share as quoted on the Stock Exchange for the last twenty consecutive trading days up to and including the Last Trading Day.

The issue price of HK$0.65 per Consideration Share was arrived at after arm's length negotiation between the Purchaser and Vendor 1 and taking into account the prevailing trading prices of the Shares as shown in (ii) to (iv) above.

Based on the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day, the total value of the Consideration Shares was HK$86.46 million.

The Consideration Shares comprising 131,000,000 Shares, represent (i) approximately 23.57% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 19.07% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares; and (iii) approximately 5.24% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Note.

The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the then existing Shares in issue. There will be no restriction on the subsequent sale of the Consideration Shares. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued upon Completion.

THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarized below:

Issuer	:	The Company.
Aggregate principal amount of the Convertible Note	:	Tranche 1 Convertible Note: HK$889.85 million. Tranche 2 Convertible Note: HK$290 million.

Conversion Price	:	HK$0.65 per Conversion Share, subject to adjustment upon the occurrence of certain events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issue of convertible securities by the Company.
Conversion Shares fall to be issued upon full exercise of the conversion rights attached to the Convertible Note	:	Tranche 1 Convertible Note: 1,369 million Shares, which represent approximately 246.27% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 54.72% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Note. Tranche 2 Convertible Note: 446,153,846 Shares, which represent approximately 80.26% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 17.83% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Note.
Interest rate	:	Nil.
Maturity date	:	The Business Day falling on the fifth anniversary of the issue date. The Company shall redeem all outstanding principal amounts of the Convertible Note on the maturity date. Upon occurrence of any events of default under the Convertible Note, all outstanding principal amounts of the Convertible Note shall become immediately due and payable at such principal amounts at the option of the holders of the Convertible Note.
Redemption price	:	100% of the principal amount of the Convertible Note.

Early redemption	:	The holders of the Convertible Note are not entitled to redeem the Convertible Note before its maturity date. On the other hand, the Company shall have the right to redeem any portion of the Convertible Note outstanding at an amount equals to the principal amount of the Convertible Note in its sole and absolute discretion at any time and from time to time prior to its maturity date.
Transferability	:	The transferability of the Convertible Note is subject to the following restrictions: (i) HK$189 million of the Tranche 2 Convertible Note are not transferable during the period of 12 months from its issue date; (ii) HK$81 million of the Tranche 2 Convertible Note are not transferable during the period of 24 months from its issue date; and (iii) the Escrowed Convertible Note are not transferable during the period where they are held in escrow by the Escrow Agent. Save as aforesaid, the Convertible Note are freely transferable provided that the holders of the Convertible Note must inform the Company of each transfer or assignment made by them.
Conversion period	:	The conversion rights attached to the Convertible Note are subject to the following restrictions: (i) HK$189 million of the Tranche 2 Convertible Note are not convertible during the period of 12 months from its issue date; (ii) HK$81 million of the Tranche 2 Convertible Note are not convertible during the period of 24 months from its issue date; and

(iii) the Escrowed Convertible Note are not convertible during the period where they are held in escrow by the Escrow Agent.

Save as aforesaid and the further conversion restrictions set out below, the holders of the Convertible Note may at any time from the date of issue of the Convertible Note up to (but excluding) the period of 3 Business Days ending on the maturity date, require the Company to convert, the whole or any part(s) of the principal amount outstanding under the Convertible Note into Conversion Shares in integral multiples of HK$5,000,000 at the Conversion Price.

Conversion restrictions : The conversion rights under the Convertible Note shall only be exercisable so long as (i) the aggregate shareholdings of such holder of the Convertible Note, its associates and parties acting in concert with it immediately after such exercise will not be or exceed 25% of the then issued share capital of the Company; (ii) the exercise of the conversion rights under the Convertible Note will not result in such holder of the Convertible Note by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder (as defined in the Takeovers Code) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which such holder of the Convertible Note would be obliged to make a general offer under the Takeovers Code in force from time to time; (iii) the exercise of the conversion rights under the Convertible Note would not result in such holder of the Convertible Note and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company; and (iv) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained.

Voting	:	The holders of the Convertible Note will not be entitled to attend or vote at any meetings of the Company by reason only of any of them being a holder of the Convertible Note.
Listing	:	No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note.
Ranking	:	The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note will rank pari passu in all respects with all Shares outstanding at the date of issue of such Conversion Shares.

Specific Mandate

The Directors will allot and issue the Consideration Shares to Vendor 1 (or its nominee(s)) and the Conversion Shares to the holder(s) of the Convertible Note under specific mandates proposed to be sought from the Shareholders at the EGM.

Guarantee

Mr. Yang Kezhi guarantees the due and punctual performance of Vendor 1's obligations under the Share Transfer Agreement, whilst Ms. Wu Wenying guarantees the due and punctual performance of Vendor 2's obligations under the Share Transfer Agreement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (i) no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to Completion; (ii) a total of 131,000,000 Consideration Shares will be issued upon Completion; and (iii) 1,815,153,846 Conversion Shares will be issued upon the full conversion of the Convertible Note, the shareholding structures of the Company as at the Latest Practicable Date, immediately after the allotment and issue of the Consideration Shares and immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Note are as follows:

	Shareholding as at the Latest Practicable Date	Approximate %	Shareholding immediately after allotment and issue of the Consideration Shares	Approximate %	Shareholding immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Note *(Note 2)*	Approximate %
Elite Achieve Limited *(Note 1)*	211,720,000	38.08	211,720,000	30.82	211,720,000	8.46
Katsomalos Nikolaos	122,112,000	21.97	122,112,000	17.78	122,112,000	4.88
Sub-total	333,832,000	60.05	333,832,000	48.60	333,832,000	13.34
Vendor 1	–	–	131,000,000	19.07	1,500,000,000	59.95 *(Note 2)*
Vendor 2	–	–	–	–	446,153,846	17.83 *(Note 2)*
Public Shareholders	222,067,000	39.95	222,067,000	32.33	222,067,000	8.88 *(Note 3)*
Total	**555,899,000**	**100**	**686,899,000**	**100**	**2,502,052,846**	**100**

Notes:

1. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai, an executive Director.

2. It is a term of the Convertible Note that notwithstanding the conversion rights attaching to the Convertible Note, the Company shall not issue any Shares if upon such issue, the holder of the Convertible Note, its associates and parties acting in concert with it will at the material time beneficially hold 25% or more of the then enlarged issued share capital of the Company. Accordingly, the figures shown in these columns are for illustration purpose only. Vendor 1 and Vendor 2 are parties acting in concert in respect of the control of the Company under the Takeovers Code.

3. It is a term of the Convertible Note that notwithstanding the conversion rights attaching to the Convertible Note, the Company shall not issue any Shares if upon such issue, the exercise of conversion rights under the Convertible Note will result in a public float of less than 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Accordingly, the figures shown in these columns are for illustration purpose only.

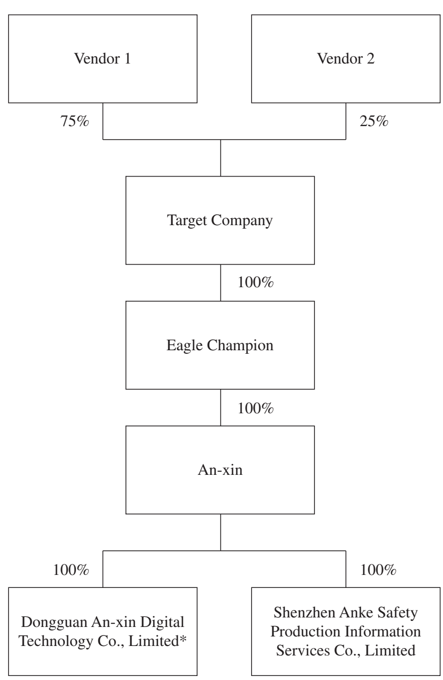
INFORMATION ON THE TARGET GROUP

Structure

The Target Company was incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, the Target Company was 75% owned by Vendor 1 and 25% owned by Vendor 2. Save for holding the entire issued share capital of Eagle Champion, the Target Company did not hold any other investments as at the Latest Practicable Date. Eagle Champion was incorporated in Hong Kong with limited liability and is an investment holding company. As at the Latest Practicable Date, Eagle Champion held 100% interest in An-xin.

An-xin was incorporated in the PRC with limited liability with registered capital of RMB75 million. As mentioned in the accountants' report on An-xin set out in Appendix III to this circular, pursuant to a share transfer agreement dated 5 August 2009 entered into between Eagle Champion and the former shareholders of An-xin, the entire registered capital of An-xin held by its former shareholders was transferred to Eagle Champion at a consideration of RMB 83,000,000. Accordingly, the corporate status of An-xin had been transformed to a wholly foreign-owned enterprise. As at the date of the Announcement, An-xin had two wholly-owned subsidiaries, namely 東莞市安芯數字技術有限公司 (Dongguan An-xin Digital Technology Co., Limited) and 深圳市安科安全生產信息服務有限公司 (Shenzhen Anke Safety Production Information Services Co., Limited).

The shareholding structure of the Target Group as at the date of the Announcement is set out below:

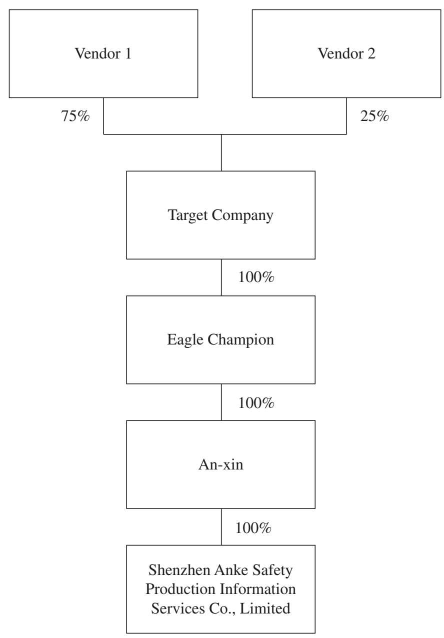


*   *In the process of deregistration*

As at the Latest Practicable Date, the deregistration of Dongguan An-xin Digital Technology Co., Limited had been completed. After completion of the deregistration, Dongguan An-xin Digital Technology Co., Limited ceased to be a subsidiary of An-xin.

As advised by the management of An-xin, there would be no material financial impact to the Target Group in relation to the deregistration of Dongguan An-xin Digital Technology Co., Limited as Dongguan An-xin Digital Technology Co., Limited had been dormant since its incorporation.

The shareholding structure of the Target Group as at the Latest Practicable Date is set out below:



The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group upon Completion.

Business of An-xin and its subsidiaries

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) the production of system software and application software; (ii) provision of system solutions according to clients' needs; and (iii) the provision of long term agency operation and maintenance services on system solutions. The Vendors represented that An-xin had obtained its own independent intellectual property rights, and was engaged in the development of high technology and software in connection with public security, production safety and civil security. An-xin was engaged in the development of remote detection and monitoring platform and wireless remote real-time detection alert system technology. As informed by the Vendors, An-xin had directly or indirectly made 5 applications for patents in invention rights, application rights and outlook rights in the PRC. An-xin had also applied for not less than 10 software copyrights in the PRC. An-xin was granted the title of 改革開放30年自主創新示範單位 (30th Anniversary of Reform and Open Policy Independent Innovation Demonstration Unit) by 國家高新技術產業產業化戰略研究室 (The National High Technology Industry Industrialization Strategic Unit) in 2009. It was also granted the title as one of the top 500 industrial enterprises of the Shenzhen city in the PRC in 2008, and one of the top 100 tax enterprises in the Nanshan area in the Shenzhen city in 2007.

The principal business of Shenzhen Anke Safety Production Information Services Co., Limited includes the development and consultation services of safety production technology for enterprises in the PRC.

According to the accountants' report on An-xin prepared in accordance with the Hong Kong Financial Reporting Standards set out in Appendix III to this circular, the consolidated revenue, profit before and after tax of An-xin for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the six months ended 30 June 2009 and the consolidated net asset value of An-xin as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 are set out below.

	For the six months ended 30 June 2009 *(RMB'000)* (Audited)	**For the year ended 31 December 2008** *(RMB'000)* (Audited)	**For the year ended 31 December 2007** *(RMB'000)* (Audited)	**For the year ended 31 December 2006** *(RMB'000)* (Audited)
Revenue	61,669	71,380	178,066	132,709
Profit before tax	51,154	47,720	100,060	66,190
Profit after tax	43,994	45,167	92,356	66,190

	As at 30 June 2009 *(RMB'000)* (Audited)	**As at 31 December 2008** *(RMB'000)* (Audited)	**As at 31 December 2007** *(RMB'000)* (Audited)	**As at 31 December 2006** *(RMB'000)* (Audited)
Net asset value	130,892	119,281	116,976	78,890

REASONS FOR THE ACQUISITION

The Group is principally engaged in the businesses of manufacture, sale, research and development of pharmaceutical products and investment holding.

As referred to the article namely《安防全面進入網路數位化時代》(*"The Security and Protection Industry Has Fully Entered Into The Web and Digital Era"*) dated 4 September 2008 published on 計世網 (Jishi Web), it mentioned that with the rapid development of the PRC's national economy in recent years, demand on security and video monitoring systems keeps increasing. In particular, impressive progress has been made in the development of safe cities, intelligent communities and intelligent buildings. The security and protection industry has grown and prospered along with the Internet-based and intelligence-based evolution supported by the Internet protocol technology. Driven by market demand and technological development, there are countless number of new applications emerging which include remote management, production process monitor, emergency prevention and control, environmental protection, city administration and other industrial applications.

It was also mentioned in the article that according to《中國安防行業"十一五"發展規劃指導思想》(*"The Development Plan and Guidance of the China Security and Protection Industry under the 'Eleventh Five-Year-Plan'"*), during the period under the "Eleventh Five-Year-Plan", the growth rate of the security and protection products' industry in the PRC would reach 20% or above, and it is expected that the increase would reach RMB 80 billion or above by 2010.

In view of the above and the 2009 Profit Guarantee and the 2010 Profit Guarantee provided by the Vendors, the Directors consider that the Acquisition provides an excellent opportunity for the development of future business of the Group and broadens its revenue base. 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. The Vendors do not have any right under the Share Transfer Agreement to nominate any Director to the Board and the Board has no intention to appoint the Vendors or their representatives as Directors. Thus, there will be no change in the composition of the Board as a result of the Acquisition.

Taking into account the benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Group comprised the Target Company, Eagle Champion, An-xin and Shenzhen Anke Safety Production Information Services Co., Limited as at the Latest Practicable Date.

The Target Company was incorporated in the British Virgin Islands with limited liability and was an investment holding company. Save for holding the entire issued share capital of Eagle Champion, the Target Company did not hold any other investments as at the Latest Practicable Date. Eagle Champion was incorporated in Hong Kong with limited liability and was an investment holding company. As at the Latest Practicable Date, Eagle Champion held 100% interest in An-xin. An-xin was incorporated in the PRC with limited liability with registered capital of RMB75 million. As at the Latest Practicable Date, An-xin held 100% interest in Shenzhen Anke Safety Production Information Services Co., Limited.

The accountants' report on the Target Company for the period from 11 May 2009 (date of incorporation of the Target Company) to 30 June 2009 was set out in Appendix II to this circular. The accountants' report on An-xin for the three years ended 31 December 2008 and for the six months ended 30 June 2009 was set out in Appendix III to this circular. As Eagle Champion is an investment holding company, its accountants' report is not presented in this circular. The management discussion and analysis of the Target Company and An-xin for the corresponding period was set out below.

(1) Management discussion and analysis of the Target Company

Set out below is the management discussion and analysis on the Target Company for the period from 11 May 2009 (date of incorporation of the Target Company) to 30 June 2009:

Financial review, business review and prospects

The Target Company was an investment holding company. Apart from its holding of the entire issued share capital of Eagle Champion, the Target Company did not hold any investment for the period under review.

Since the Target Company did not generate any turnover during the relevant period, the Target Company had not generated any income or incurred any loss before or after tax for the period under review.

Capital structure, liquidity, financial resources and gearing ratio

As at 30 June 2009, the audited total assets and net assets of the Target Company were valued at approximately HK$780. There was no cash and cash equivalents as at 30 June 2009. The Target Company did not have any liabilities as at 30 June 2009.

Capital commitment

The Target Company did not have any capital commitment as at 30 June 2009.

Treasury policies

The Target Company had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the six months ended 30 June 2009.

Exchange rate exposure

As all of the Target Company's monetary assets were denominated in Hong Kong dollars, the exchange rate risk to the Target Company was not significant.

Contingent liabilities

The Target Company did not have any contingent liabilities as at 30 June 2009.

Significant investments, material acquisitions and disposals

The Target Company did not have any significant investments, material acquisitions and disposals since its incorporation.

Employment and remuneration policy

As at 30 June 2009, the Target Company did not employ any employee.

Pledge of assets

The Target Company did not pledge any assets as at 30 June 2009.

(2) Management discussion and analysis of An-xin

Set out below is the management discussion and analysis on An-xin for the three years ended 31 December 2008 and the six months ended 30 June 2009:

For the year ended 31 December 2006

Financial review, business review and prospects

For the year ended 31 December 2006, the consolidated turnover of An-xin amounted to approximately RMB132,709,000.

An-xin recorded audited consolidated profit before tax and audited consolidated profit after tax of both approximately RMB66,190,000 for the year ended 31 December 2006, which were mainly resulted from the production and sales of system software and application software.

During the year ended 31 December 2006, An-xin had developed the intelligent monitoring and alarming system on coal mines.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2006, the audited consolidated total assets, total liabilities and net assets of An-xin were valued at approximately RMB142,651,000, RMB63,761,000 and RMB78,890,000 respectively. The consolidated cash and bank balances of An-xin as at 31 December 2006 amounted to approximately RMB72,108,000. All cash and bank balances were denominated in RMB and deposited with banks in the PRC as at 31 December 2006. The gearing ratio (calculated as total liabilities over total assets) was approximately 0.45 as at 31 December 2006.

Capital commitment

An-xin did not have any capital commitment as at 31 December 2006.

Treasury policies

An-xin had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 December 2006.

Exchange rate exposure

As all of An-xin's monetary assets and liabilities were denominated in RMB, and An-xin conducted its business transactions principally in RMB, An-xin was not exposed to any significant foreign currency risk for the year ended 31 December 2006.

Contingent liabilities

An-xin did not have any contingent liabilities as at 31 December 2006.

Significant investments, material acquisitions and disposals

An-xin did not have any significant investments, material acquisitions and disposals for the year ended 31 December 2006.

Employment and remuneration policy

As at 31 December 2006, An-xin had 53 full-time employees. An-xin had ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of salary policies of An-xin.

Pledge of assets

As at 31 December 2006, An-xin pledged its buildings with net book value of approximately RMB9,974,000 to an independent third party, of which the independent third party provided a corporate guarantee as a security of the bank loan granted to An-xin of approximately RMB13,000,000.

For the year ended 31 December 2007

Financial review, business review and prospects

For the year ended 31 December 2007, the consolidated turnover of An-xin amounted to approximately RMB178,066,000.

An-xin generated audited consolidated profit before tax and audited consolidated profit after tax of approximately RMB100,060,000 and RMB92,356,000 respectively for the year ended 31 December 2007, which were mainly resulted from the production and sales of system software and application software.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2007, the consolidated audited total assets, total liabilities and net assets of An-xin were valued at approximately RMB169,187,000, RMB52,211,000 and RMB116,976,000 respectively. The consolidated cash and bank balances of An-xin as at 31 December 2007 amounted to approximately RMB73,611,000. All cash and bank balances were denominated in RMB and deposited with banks in the PRC as at 31 December 2007. The gearing ratio (calculated as total liabilities over total assets) was approximately 0.31 as at 31 December 2007.

Capital commitment

An-xin did not have any capital commitment as at 31 December 2007.

Treasury policies

An-xin had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 December 2007.

Exchange rate exposure

As all of An-xin's monetary assets and liabilities were denominated in RMB, and An-xin conducted its business transactions principally in RMB, An-xin was not exposed to any significant foreign currency risk for the year ended 31 December 2007.

Contingent liabilities

An-xin did not have any contingent liabilities as at 31 December 2007.

Significant investments, material acquisitions and disposals

An-xin did not have any significant investments, material acquisitions and disposals for the year ended 31 December 2007.

Employment and remuneration policy

As at 31 December 2007, An-xin had 60 full-time employees. An-xin had ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of salary policies of An-xin.

Pledge of assets

An-xin did not pledge any assets as at 31 December 2007.

For the year ended 31 December 2008

Financial review, business review and prospects

For the year ended 31 December 2008, the consolidated turnover of An-xin amounted to approximately RMB71,380,000, comprising approximately RMB70,384,000 from production and sales of system software and application software and approximately RMB996,000 from provision of system solution services.

An-xin recorded audited consolidated profit before tax and audited consolidated profit after tax of approximately RMB47,720,000 and RMB45,167,000 respectively for the year ended 31 December 2008, which were mainly resulted from production and sales of system software and application software.

For the year ended 31 December 2008, An-xin developed the intelligent monitoring and alarming system on ultra hazard source areas such as chemical plants, petroleum industries and fire control.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2008, the audited consolidated total assets, total liabilities and net assets of An-xin were valued at approximately RMB167,972,000, RMB48,691,000 and RMB119,281,000 respectively. The consolidated cash and bank balances of An-xin as at 31 December 2008 amounted to approximately RMB47,502,000. All cash and bank balances were denominated in RMB and deposited with banks in the PRC as at 31 December 2008. The gearing ratio (calculated as total liabilities over total assets) was approximately 0.29 as at 31 December 2008.

Capital commitment

An-xin did not have any capital commitment as at 31 December 2008.

Treasury policies

An-xin had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 December 2008.

Exchange rate exposure

As all of An-xin's monetary assets and liabilities were denominated in RMB, and An-xin conducted its business transactions principally in RMB, An-xin was not exposed to any significant foreign currency risk for the year ended 31 December 2008.

Contingent liabilities

An-xin did not have any contingent liabilities as at 31 December 2008.

Significant investments, material acquisitions and disposals

An-xin did not have any significant investments, material acquisitions and disposals for the year ended 31 December 2008.

Employment and remuneration policy

As at 31 December 2008, An-xin had 65 full-time employees. An-xin had ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of salary policies of An-xin.

Pledge of assets

As at 31 December 2008, An-xin pledged its buildings with net book value of approximately RMB2,041,000 to an independent third party, of which the independent third party provided a corporate guarantee as a security of the bank loan granted to An-xin of approximately RMB20,000,000.

For the six months ended 30 June 2009

For the six months ended 30 June 2009, the consolidated turnover of An-xin amounted to approximately RMB61,669,000, comprising approximately RMB51,738,000 from production and sale of system software and application software and approximately RMB9,931,000 from provision of system solution services.

An-xin recorded both audited consolidated profit before tax of approximately RMB51,154,000 and audited consolidated profit after tax of approximately RMB43,994,000 respectively for the six months ended 30 June 2009, which were mainly resulted from production and sales of system software and application software.

For the six months ended 30 June 2009, An-xin developed the emergency command platforms in provinces and cities in the PRC.

Capital structure, liquidity, financial resources and gearing ratio

As at 30 June 2009, the audited consolidated total assets, total liabilities and net assets of An-xin were valued at approximately RMB168,399,000, RMB37,507,000 and RMB130,892,000 respectively. The consolidated cash and bank balances of An-xin as at 30 June 2009 amounted to approximately RMB15,440,000. All cash and bank balances were denominated in RMB and deposited with banks in the PRC as at 30 June 2009. The gearing ratio (calculated as total liabilities over total assets) was approximately 0.22 as at 30 June 2009.

Capital commitment

An-xin did not have any capital commitment as at 30 June 2009.

Treasury policies

An-xin had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the six months ended 30 June 2009.

Exchange rate exposure

As all of An-xin's monetary assets and liabilities were denominated in RMB, and An-xin conducted its business transactions principally in RMB, An-xin was not exposed to any significant foreign currency risk for the six months ended 30 June 2009.

Contingent liabilities

An-xin did not have any contingent liabilities as at 30 June 2009.

Significant investments, material acquisitions and disposals

An-xin did not have any significant investments, material acquisitions and disposals for the six months ended 30 June 2009.

Employment and remuneration policy

As at 30 June 2009, An-xin had 65 full-time employees. An-xin had ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of salary policies of An-xin.

Pledge of assets

As at 30 June 2009, An-xin pledged its buildings with net book value of approximately RMB1,766,000 to an independent third party, of which the independent third party provided a corporate guarantee as a security of the bank loan granted to An-xin of approximately RMB20,000,000.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company, Eagle Champion, An-Xin and Shenzhen Anke Safety Production Information Services Co., Limited will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

As referred to in the annual report of the Group for the year ended 31 December 2008, the audited consolidated net assets of the Group as at 31 December 2008 were approximately HK$652,500,000 comprising total assets of approximately HK$752,463,000 and total liabilities of approximately HK$99,963,000, and the net profit of the Group for the year ended 31 December 2008 was approximately HK$23,533,000.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma net assets of the Enlarged Group would be approximately HK$952,800,000, comprising unaudited pro forma total assets of approximately HK$2,072,513,000 and unaudited pro forma total liabilities of approximately HK$1,119,713,000, and the unaudited pro forma net profit of the Enlarged Group would be approximately HK$34,409,000

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the businesses of manufacture, sale, research and development of pharmaceutical products and investment holding.

The deepening plan for medical reform by State Council stated that from now on to 2011, amount of RMB850 billion will be injected to promote the five main fields of medical reform, namely medicare security, basic pharmaceutical, basic-level medical hygiene service system, basic public hygiene service and public hospital. The plan proposed to achieve “Medicare Security for Whole Nation” within three years and expected that all residents in rural areas or cities will get basic medicare security in 2011. Thus, pharmaceutical industry has a bright future. Since the Group’s mission is to provide Chinese people with quality parenteral solution and healthcare pharmaceutical products, certainly it will benefit from this plan.

As mentioned in the paragraph headed “Reasons for the Acquisition” above, the Directors consider that the Acquisition provides an excellent opportunity for the development of future business of the Group and broadens its revenue base. 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. The Enlarged Group will continue the existing business of the Group and diversify into the business of the Target Group.

As mentioned in the announcement of the Company dated 31 July 2009, the financial tsunami in 2008 caused a sharp contraction of the market which in turn led to the decline in customer orders for the six months ended 30 June 2009. Thus the unaudited results of the Group for the six months ended 30 June 2009 may experience a loss.

VALUATION OF THE PROPERTY INTERESTS

To comply with the Listing Rules, the Company has engaged LCH (Asia-Pacific) Surveyors Limited to value the property interests of the Group and the Target Group respectively. Details of the valuation reports are set out in Appendices V and VI to this circular. Disclosure of the reconciliation of net book value and the valuation of the Group as required under Rule 5.07 of the Listing Rules is set out below:

The Group

	HK$'000	*HK$'000*
Valuation of the property interests as at 30 June 2009 as set out in the valuation report included in Appendix V to this circular		339,300,000
Net book value of the property interests as at 31 December 2008 *(Note)*	330,552,000	
Less: Depreciation for the period from 1 January 2009 to 30 June 2009	(11,355,000)	
Net book value of the property interests as at 30 June 2009		319,197,000
Net revaluation surplus		20,103,000

Note: Net book value of the property interests as at 31 December 2008 includes net book values of (i) buildings of approximately HK$182,376,000; (ii) plant and machinery of approximately HK$145,882,000; and (iii) prepaid lease premium for land of approximately HK$2,294,000.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$200,000,000 divided into 2,000,000,000 Shares, of which 555,899,000 Shares had been issued. In order to cater for the allotment and issue of the Consideration Shares and the Conversion Shares and to accommodate the Company's expansion and growth in the future, it is proposed that the authorised share capital of the Company be increased 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 an additional 2,000,000,000 unissued Shares. Such additional Shares will rank pari passu in all respects with the existing Shares. The proposed increase in the authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. The increase in authorised share capital of the Company is conditional upon the completion of the Acquisition. On the other hand, in the event that the proposed increase in authorised share capital of Company is not approved by the Shareholders in the EGM, it is a natural consequence that the issue of the Consideration Shares and the Convertible Note (and any subsequent issue of Conversion Shares) would become impossible, and thus the completion of the Acquisition will not materialize. The Directors have no present intention of issuing any part of the proposed increase in authorised share capital apart from the Consideration Shares and the Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Convertible Note upon Completion and the Conversion Shares which may be issued pursuant to the terms of the Convertible Note; and (ii) the increase in the Company's authorised share capital. A notice convening the EGM to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 13 October 2009 at 10:00 a.m. is set out on pages 237 to 239 of this circular.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

RECOMMENDATION

The Directors consider that (i) the Acquisition and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Convertible Note upon Completion and the Conversion Shares which may be issued pursuant to the terms of the Convertible Note; and (ii) the increase in the Company's authorised share capital are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
By order of the Board
Broad Intelligence International Pharmaceutical Holdings Limited
Mr. Zhong Houtai
Chairman

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2008

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2008 as extracted from the annual reports of the Company for the years ended 31 December 2008.

Results

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	422,321	411,990	342,232
Profit before taxation	32,067	109,013	100,318
Taxation	(8,534)	(18,268)	(16,391)
Net profit for the year	23,533	90,745	83,927

Assets and liabilities

	At 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	752,463	660,627	491,255
Total liabilities	(99,963)	(63,510)	(54,759)
Shareholders' equity	652,500	597,117	436,496

II. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2008

Set out below are the audited financial statements for the two years ended 31 December 2008 as extracted from the annual report of the Company for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
Turnover	*4*	422,321	411,990
Cost of sales		(312,307)	(252,187)
Gross profit		110,014	159,803
Other revenue	*4*	6,310	7,394
Selling and distribution expenses		(51,797)	(28,138)
General and administrative expenses		(32,460)	(30,046)
Profit before taxation	*5*	32,067	109,013
Income tax	*6*	(8,534)	(18,268)
Profit attributable to equity holders of the Company	*7*	23,533	90,745
Dividends	*8*	–	16,720
Earnings per share – Basic and diluted	*9*	HK5.07 cents	HK20.49 cents

BALANCE SHEETS

At 31 December 2008

		The Group		The Company	
		2008	**2007**	**2008**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	569,903	245,461	11	85
Prepaid lease payments	*15*	2,294	2,262	–	–
Prepayments	*16*	17,100	70,630	–	–
Intangible assets	*17*	91,904	78,689	–	–
Investment in subsidiaries	*18*	–	–	134,065	134,065
		681,201	397,042	134,076	134,150
CURRENT ASSETS					
Inventories	*19*	60,113	38,140	–	–
Trade and other receivables	*20*	6,175	101,618	73,728	73,429
Tax recoverable	*23*	1,660	–	–	–
Cash and cash equivalents	*21*	3,314	123,827	2,384	10,959
		71,262	263,585	76,112	84,388
CURRENT LIABILITIES					
Trade and other payables	*22*	57,422	58,702	558	587
Tax payable	*23*	–	4,808	–	–
		57,422	63,510	558	587
NET CURRENT ASSETS		13,840	200,075	75,554	83,801
NON CURRENT LIABILITIES					
Other payable	*25*	42,541	–	–	–
NET ASSETS		652,500	597,117	209,630	217,951
Represented by:					
SHARE CAPITAL	*26*	46,390	46,390	46,390	46,390
RESERVES	*27*	606,110	550,727	163,240	171,561
TOTAL EQUITY		652,500	597,117	209,630	217,951

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	General reserve *HK$'000*	Special reserve *HK$'000*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 1 January 2007	40,000	27,944	9,906	24,757	19,608	15,929	491	297,861	436,496
Issue of shares	6,190	50,176	–	–	–	–	–	–	56,366
Issue of ordinary shares upon exercise of share option	200	1,471	–	–	–	–	(491)	–	1,180
Share issuance expenses	–	(1,597)	–	–	–	–	–	–	(1,597)
Profit attributable to equity holders	–	–	–	–	–	–	–	90,745	90,745
Transfer to reserve	–	–	10,510	5,255	–	–	–	(15,765)	–
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	30,360	–	–	30,360
Recognition of equity-settled share-based payment	–	–	–	–	–	–	287	–	287
Dividend paid	–	–	–	–	–	–	–	(16,720)	(16,720)
As at 31 December 2007 and 1 January 2008	46,390	77,994	20,416	30,012	19,608	46,289	287	356,121	597,117
Profit attributable to equity holders	–	–	–	–	–	–	–	23,533	23,533
Transfer to reserve	–	–	–	3,943	–	–	–	(3,943)	–
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	31,850	–	–	31,850
As at 31 December 2008	46,390	77,994	20,416	33,955	19,608	78,139	287	375,711	652,500

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008 *HK$'000*	2007 *HK$'000*
Cash flows from operating activities		
Profit before taxation	32,067	109,013
Adjustment for:		
Interest income	(754)	(1,545)
Amortisation of prepaid lease payments	109	101
Amortisation of intangible assets	15,530	12,281
Depreciation	27,888	13,814
Gain on disposal of prepaid lease payments	–	(136)
Impairment loss on intangible assets	3,248	–
Share-based payment expenses	–	287
Operating profit before working capital changes	78,088	133,815
Increase in inventories	(21,973)	(27,124)
Decrease/(increase) in trade and other receivables	95,443	(85,605)
Decrease in prepayments	53,530	–
(Decrease)/increase in trade and other payables	(1,280)	7,927
Increase in other payable	42,541	–
Cash generated from operation	246,349	29,013
PRC enterprise income tax paid	(15,187)	(17,750)
Net cash generated from operating activities	231,162	11,263
Investing activities		
Purchase of property, plant and equipment	(337,332)	(100,027)
Purchase of intangible asset	(27,360)	–
Proceeds from sale of prepaid lease payments	–	1,329
Interest received	754	1,545
Net cash used in investing activities	(363,938)	(97,153)
Cash flows from financing activities		
Proceeds from issue of shares	–	56,366
Proceeds from share issued under share option scheme	–	1,180
Share issuance expenses	–	(1,597)
Dividend paid	–	(16,720)
Net cash generated from financing activities	–	39,229
Net decrease in cash and cash equivalents	(132,776)	(46,661)
Cash and cash equivalents at beginning of the year	123,827	156,039
Effect of foreign exchange rate changes, net	12,263	14,449
Cash and cash equivalents at end of the year *(Note 21)*	3,314	123,827

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. General

The Company was incorporated in the Cayman Islands on 16 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 with effect from 24 November 2003. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and investment holding.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRS") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification on Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied any of the new and revised standards, amendments or interpretations which have been issued but are not yet effective for the current accounting period *(see note 34)*.

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, if any *(see note 2(g))*.

(d) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses *(see note 2(g))*, if any.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives. The principal annual rates are as follows:

Buildings situated on leasehold land	Over the shorter of the term of the lease or 20 years
Leasehold improvement	20%
Plant and machinery	10%
Office and other equipment	20%
Motor vehicles	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

(e) Intangible Asset

Patents

Purchased patents are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any identified accumulated impairment losses *(see note 2(g))*. Patents are amortised on a straight-line basis over their estimated useful lives of five to ten years. Both the period and method of amortisation are reviewed annually.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions;

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(g) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effective of discounting is material. This assessment is made collectively where financial asset carried at amortised cost share similar risk characteristics such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid lease payments;
- intangible assets; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted-average cost formula and comprises direct materials and, where appropriate, direct labour costs and those overhead that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less expected costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial in such cases, the receivables are stated at cost less allowance for impairment of doubtful debts *(see note 2(g))*.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(l) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The accounting policy is set out in note 2 (l)(ii).

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services quality for recognition as assets. A corresponding adjustment is made to equity (share option reserve).

(n) Income Tax

i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provision and Contingencies

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(q) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identified and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Product development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, starting from the time when the product is put into commercial production.

(r) Foreign Currency Translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong Dollar at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong Dollar at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. Critical accounting estimates and judgements

Estimates 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.

The estimates and assumptions that can significantly affect the amounts recognised in the financial statements are disclosed below.

Key sources of estimation uncertainty

a) Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of intangible assets

The policy for impairment of intangible assets of the Group is based on an evaluation of their recoverable amount with reference to expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Group's pharmaceutical products acquired. If the recoverable amounts are less than the carrying amounts of the intangible assets, impairment may be required.

c) Estimated provision for impairment of trade receivables and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

d) Estimated net realisable value of inventories

The Group writes down for slow-moving or obsolete inventories based on an assessment of the net realizable value of the inventories. Written down to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and written down of inventory expenses in the period in which such estimate has been changed.

4. Turnover and other revenue

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discount and sale tax.

Turnover and other revenue consisted of:

	2008	**2007**
	HK$'000	*HK$'000*
Turnover		
Sales of pharmaceutical products	422,321	411,990
Other revenue and net income		
Bank interest income	754	1,545
Total interest income on financial assets not at fair value through profit or loss	754	1,545
Net exchange gain	5,556	5,713
Gain on disposal of prepaid lease payments	–	136
	6,310	7,394
Total revenue	428,631	419,384

5. Profit before taxation

The profit before taxation are stated after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of intangible assets	15,530	12,281
Amortisation of prepaid lease payments	109	101
Auditor's remuneration	595	580
Cost of inventories#	312,307	252,187
Depreciation of property, plant and equipment#	27,888	13,814
Impairment loss on intangible assets	3,248	–
Research and development costs	75	56
Writing off deposit paid on registration of trademark	60	–
Share-based payment expenses	–	287
Staff costs (including directors' remuneration)#		
Salaries and allowance	5,354	5,149
Contributions to retirement scheme	841	802
	6,195	5,951
Operating lease payment in respect of premises	1,059	587

Notes: # Cost of inventories includes HK$27,332,000 (2007: HK$14,254,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above.

6. Income tax

	2008	2007
	HK$'000	*HK$'000*
Current tax – PRC enterprise income tax		
Provision for the year	8,534	18,268

(i) Fujian Nanshaolin Pharmaceutical Co., Ltd., a wholly foreign owned enterprise, was subject to PRC enterprise income tax at a rate of 18% (2007:15%) applicable to the company on the assessable profits for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise income tax (the "New Law") by order no. 63 of the president of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise income tax rate of the Group's subsidiary in the PRC was increased from 15% to 18% progressively from 1 January 2008 onwards.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2007: Nil).

(iii) The Group had no significant unprovided deferred tax assets or liabilities at 31 December 2008 (2007: Nil).

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	32,067	109,013
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	5,858	16,272
Tax effect of non-taxable income	(786)	(409)
Tax effect of non-deductible expenses	2,455	928
Tax effect of unused tax losses not recognised	1,007	1,477
Actual tax expense	8,534	18,268

7. Profit attributable to equity holders of the company

The consolidated profit attributable to equity holders of the Company includes a loss of approximately HK$8,321,000 (2007: a loss of HK$8,429,000) which has been dealt with in the financial statements of the Company.

8. Dividends

a) Dividend payable attributable to the year

The directors do not recommend the payment of final dividend for the year (2007: Nil).

b) Dividend payable attributable to the previous financial year, approved and paid during the year:

	2008	**2007**
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year during the year HK Nil (2007: HK3.8) cents per share	–	16,720

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the consolidated profit attributable to ordinary equity holders of the Company of approximately HK$23,533,000 (2007: HK$90,745,000) and the weighted-average of 463,899,000 ordinary shares (2007: 442,922,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Issued ordinary shares at 1 January	463,899	400,000
Issue of shares through placing *(note 26(i) and (iii))*	–	41,843
Exercise of share option *(note 26(ii))*	–	1,079
Weighted average number of ordinary shares at 31 December	463,899	442,922

(b) Diluted earnings per share

Diluted earnings per share equal to basic earnings per share for the year ended 31 December 2007 and 2008 as the exercise price of the Company's outstanding share options was higher than the average market price for shares for the years and therefore it is anticipated that no share option to subscribe for the Company's shares will be exercised.

10. Staff retirement benefits

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), under the Hong Kong Mandatory Provident Fund Schemes Ordinance under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan managed by independent trustees. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary. Contributions to plan vest immediately.

The employees of the Group's subsidiary in the PRC are members of a state-sponsored retirement plan, which is a defined contribution retirement plan operated by the local government in the PRC and this subsidiary makes mandatory contributions to the state-sponsored retirement plan to fund the employees retirement benefits. The retirement contributions paid by the PRC subsidiary 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 Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan operated by the local government in the PRC. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

The contributions paid for the year were approximately HK$841,000 (2007: HK$802,000). As at 31 December 2008, there were no material forfeitures available to offset the Group's future contributions (2007: Nil).

11. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2008				
	Directors' fees	**Salaries allowance and benefits in kind**	**Bonuses**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Zhong Houtai	–	619	18	32	669
Zhong Houyao	–	36	–	–	36
Chong Hoi Fung	–	–	–	–	–
Sun Daquan	–	36	–	–	36
Independent non-executive directors					
Pei Renjiu	30	–	–	–	30
Li Kai Ming	30	–	–	–	30
Cheung Chuen	45	–	–	–	45
	105	691	18	32	846

	For the year ended 31 December 2007				
	Directors' fees	**Salaries allowance and benefits in kind**	**Bonuses**	**Retirement scheme contributions**	**Total**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Executive directors					
Zhong Houtai	–	550	31	31	612
Chai Chung Wai	–	228	–	3	231
Zhong Houyao	–	46	–	–	46
Chong Hoi Fung	–	–	–	–	–
Sun Daquan	–	46	–	–	46
Independent non-executive directors					
Pei Renjiu	30	–	–	–	30
Li Kai Ming	30	–	–	–	30
Cheung Chuen	45	–	–	–	45
	105	870	31	34	1,040

No directors waived any remuneration during the year (2007: Nil).

12. Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2007: two) is director whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other four individuals (2007: three) are as follows:

	2008	**2007**
	HK\$'000	*HK\$'000*
Basic salaries and allowances	923	600
Bonuses	23	26
Contributions to retirement scheme	45	27
	991	653

The emoluments of the four individuals with the highest emoluments are each below RMB877,000 (equivalent of HK$1,000,000).

During the year, no emoluments had been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

13. Segment reporting

More than 95% of the operating profits and assets are attributable to the Group's operations, manufacturing and sales of pharmaceutical products in the PRC. Accordingly, no analysis by geographical and business segment is presented here.

14. Property, plant and equipment

The Group

	Buildings *HK$'000*	Leasehold improvement *HK$'000*	Plant and machinery *HK$'000*	Office and other equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2007	107,377	289	61,166	3,162	1,370	173,364
Exchange adjustments	7,759	–	4,421	218	99	12,497
Additions	82,190	–	17,837	–	–	100,027
At 31 December 2007 and 1 January 2008	197,326	289	83,424	3,380	1,469	285,888
Exchange adjustments	12,462	–	5,268	205	93	18,028
Additions	–	–	310,645	24,992	1,695	337,332
At 31 December 2008	209,788	289	399,337	28,577	3,257	641,248
Accumulated depreciation						
At 1 January 2007	9,347	174	13,438	766	649	24,374
Exchange adjustments	916	–	1,205	67	51	2,239
Charge for the year	6,640	58	6,471	517	128	13,814
At 31 December 2007 and 1 January 2008	16,903	232	21,114	1,350	828	40,427
Exchange adjustments	1,234	–	1,636	102	58	3,030
Charge for the year	9,275	57	16,898	1,383	275	27,888
At 31 December 2008	27,412	289	39,648	2,835	1,161	71,345
Net book value						
At 31 December 2008	182,376	–	359,689	25,742	2,096	569,903
At 31 December 2007	180,423	57	62,310	2,030	641	245,461

The Company

	Leasehold improvement	Office and other equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2007, 31 December 2007 and 1 January 2008	289	134	423
Additions	–	12	12
At 31 December 2008	289	146	435
Accumulated depreciation			
At 1 January 2007	173	81	254
Charge for the year	58	26	84
At 31 December 2007 and 1 January 2008	231	107	338
Charge for the year	58	28	86
At 31 December 2008	289	135	424
Net book value			
At 31 December 2008	–	11	11
At 31 December 2007	58	27	85

15. Prepaid lease payments

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Carrying amount at 1 January	2,262	3,315
Exchange adjustments	141	241
Additions	–	–
Disposal	–	(1,193)
Amortisation	(109)	(101)
At 31 December	2,294	2,262

All the prepaid lease payments are for land situated in the PRC under medium-term leases.

16. Prepayments

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Prepaid for		
– the acquisition of property, plant and equipment	–	33,101
– the acquisition of intangible assets	17,100	37,529
	17,100	70,630

17. Intangible assets

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Patents		
Cost		
At beginning of the year	109,802	102,401
Exchange adjustments	6,934	7,401
Additions	27,360	–
At end of the year	144,096	109,802
Accumulated amortisation and impairment loss		
At beginning of the year	31,113	17,149
Exchange adjustments	2,301	1,683
Amortisation	15,530	12,281
Impairment loss	3,248	–
At end of the year	52,192	31,113
Net book value		
At end of the year	91,904	78,689

Notes:

1) The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

2) The Group assessed the recoverable amount of intangible assets. The recoverable amount of intangible assets has been determined on the basis of value in use calculations. The recoverable amount is based on certain similar key assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a seven-year period, which represents the management's best estimate of future cash flow from the intangible assets and a discount rate of approximately 8% (2007: 8%). Another key assumption is the budgeted revenue, which is determined based on the intangible assets estimated future economic benefit and management's expectations for the market development. Management believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the intangible assets to exceed the aggregate recoverable amount of the intangible asset.

   Based on this assessment, the carrying amount of the intangible asset was written down by HK$3,248,000 (2007: Nil) and included in general and administrative expenses.

18. Investment in subsidiaries

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted shares, at cost	134,065	134,065
Due from subsidiaries *(Note 20)*	73,066	72,236

Amounts due from subsidiaries are unsecured, non-interest-bearing and repayable on demand.

Details of subsidiaries as at 31 December 2008 and 2007 are as follows:

Name	Country of incorporation/ operations	Class of shares held	Issued/ registered and paid-up capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Long Master International Limited	British Virgin Islands/ Hong Kong	Ordinary	US$10,000	100%	–	Investment holding
Fujian Nanshaolin Pharmaceutical Co., Ltd. ("Fujian Nanshaolin")*	PRC/PRC	Ordinary	RMB38,981,232	–	100%	Manufacture, sale, research and development of pharmaceutical products

* *Fujian Nanshaolin was incorporated in the PRC on 30 December 1996 as a domestic enterprise with a registered capital of RMB8,000,000. Effective from 16 November 1999, Fujian Nanshaolin was changed from a domestic enterprise to a wholly-foreign owned enterprise. Fujian Nanshaolin has an operating period from 30 December 1996 to 30 October 2022.*

19. Inventories

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	30,945	17,542
Work in progress	22,921	14,304
Finished goods	6,247	6,294
Total	60,113	38,140

The analysis of the amount of inventories recognised as an expenses is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of inventory sold	312,307	252,187

20. Trade and other receivables

	The Group		The Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	3,745	100,420	–	–
Due from subsidiaries	–	–	73,066	72,236
Loans and receivables	3,745	100,420	73,066	72,236
Prepayments and deposits	2,430	1,198	662	1,193
	6,175	101,618	73,728	73,429

The amount of the Group's and the Company's deposits, prepayments and loans and receivables are expected to be recovered or recognised as expense within one year.

(a) The ageing analysis of trade receivables is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Not yet due	3,745	100,420

Trade receivables are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 29(b).

(b) Trade receivables that are not impaired

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

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	3,745	100,420

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

21. Cash and cash equivalents

	The Group		**The Company**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	3,314	123,827	2,384	10,959

22. Trade and other payables

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,432	29,112	–	–
Accrued and other payables	53,988	29,062	558	587
Amount due to a director *(Note 24)*	2	528	–	–
Financial liabilities measured at amortised cost	57,422	58,702	558	587

The following is an ageing analysis of trade payables as at the balance sheet date:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
0 to 30 days	3,432	29,112

23. Income tax in the balance sheet

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
As at 1 January	4,808	3,984
Provision for PRC enterprise income tax for the year	8,534	18,268
PRC enterprise income tax paid	(15,187)	(17,750)
Exchange adjustments	185	306
As at 31 December	(1,660)	4,808

24. Amount due to a director

The amount is unsecured, interest-free and repayable on demand.

25. Other payable

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Construction work payable	42,541	–

The amount is repayable as follows:

	2008	**2007**
	HK$'000	*HK$'000*
After 1 year but within 2 years	42,541	–

Construction work payable is unsecured and interest free. On 26 September 2008, the Group's subsidiary, Fujian Nanshaolin, entered into an agreement with 福建省東昇建設工程公司 (the "Contractor"), an independent third party, to construct plants and machineries in Fuqing, the PRC, for consideration of RMB96,000,000.

On 12 December 2008, Fujian Nanshaolin and the Contractor entered into a supplementary repayment agreement (the "Agreement"). Pursuant to the Agreement, the outstanding construction work payable of RMB40,000,000 will be repaid by 30 June 2010.

Pursuant to the valuation report issued by an independent valuer in Hong Kong, the construction work payable as at 31 December 2008 has been discounted to present value at an effective interest rate of 4.75%.

26. Share capital

The Company

	Number of shares		Amount	
	2008	**2007**	**2008**	**2007**
Ordinary shares of HK$0.1 each	*'000*	*'000*	*HK$'000*	*HK$'000*
Authorised	2,000,000	2,000,000	200,000	200,000
Issued and fully paid	463,899	400,000	46,390	40,000
As at 1 January				
Issue of shares through placing *(Note 26(i))*	–	40,000	–	4,000
Exercise of share option *(Note 26(ii))*	–	2,000	–	200
Issue of shares through placing *(Note 26(iii))*	–	21,899	–	2,190
As at 31 December	463,899	463,899	46,390	46,390

(i) On 14 February 2007, Elite Achieve Limited ("the Seller"), a company wholly and beneficially owned by Mr. Zhong Houtai, an executive Director and the chairman of the Board entered into (i) the Placing Agreement with the Company and Galaxy China Opportunities Fund, ("the Purchaser"), a third party independent of the Company and connected persons of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to buy 40,000,000 shares of the Company ("the Sale Shares") at the price of HK$0.88 per Sale Share and (ii) the Subscription Agreement with the Company and the Purchaser, pursuant to which the Company has conditionally agreed to allot and issue 40,000,000 new Shares to the Seller at the price of HK$0.88 per Subscription Share. The net proceeds of the placement of HK$35,200,000 was used for additional working capital of the Group.

(ii) On 18 June 2007, options were exercised to subscribe for 2,000,000 ordinary shares in the Company at a consideration of HK$1,180,000 of which HK$200,000 was credited to share capital and the balance of HK$980,000 was credited to the share premium account. HK$491,000 has been transferred from the share option reserve to the share premium account.

(iii) On 8 August 2007, Elite Achieve Limited ("the Seller"), a company wholly and beneficially owned by Mr. Zhong Houtai, an executive Director and the chairman of the Board entered into (i) the Placing Agreement with the Company and DKR SoundShore Oasis Holding Fund Ltd., ("the Purchaser"), a third party independent of the Company and connected persons of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to buy 21,899,000 shares of the Company ("the Sale Shares") at the price of HK$0.97 per Sale Share and (ii) the Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue 21,899,000 new shares to the Seller at the price of HK$0.97 per Subscription Share. The net proceeds of the placement of HK$21,242,030 will be applied to build factory and purchase equipment for refinery and storage purposes within the scope of pharmaceutical business of the Company.

27. Reserves

(a) The Group

	Share premium *HK$'000*	Statutory reserve *HK$'000*	General reserve *HK$'000*	Special reserve *HK$'000* *(note c)*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Retained profit *HK$'000*	Total *HK$'000*
As at 1 January 2007	27,944	9,906	24,757	19,608	15,929	491	297,861	396,496
Issue of shares	50,176	–	–	–	–	–	–	50,176
Issue of ordinary shares upon exercise of share option	1,471	–	–	–	–	(491)	–	980
Share issuance expenses	(1,597)	–	–	–	–	–	–	(1,597)
Profit attributable to equity holders	–	–	–	–	–	–	90,745	90,745
Transfer to reserve	–	10,510	5,255	–	–	–	(15,765)	–
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	30,360	–	–	30,360
Recognition of equity-settled share-based payment	–	–	–	–	–	287	–	287
Dividend paid	–	–	–	–	–	–	(16,720)	(16,720)
As at 31 December 2007 and 1 January 2008	77,994	20,416	30,012	19,608	46,289	287	356,121	550,727
Profit attributable to equity holders	–	–	–	–	–	–	23,533	23,533
Transfer to reserve	–	–	3,943	–	–	–	(3,943)	–
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	31,850	–	–	31,850
As at 31 December 2008	77,994	20,416	33,955	19,608	78,139	287	375,711	606,110

(b) The Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	(Accumulated losses) *HK$'000*	Total *HK$'000*
As at 1 January 2007	27,944	133,865	491	(15,436)	146,864
Issue of shares	50,176	–	–	–	50,176
Issue of ordinary shares upon exercise of share option	1,471	–	(491)	–	980
Share issuance expenses	(1,597)	–	–	–	(1,597)
Loss attributable to equity holders	–	–	–	(8,429)	(8,429)
Recognition of equity-settled share-based payment	–	–	287	–	287
Dividend paid	–	–	–	(16,720)	(16,720)
As at 31 December 2007 and 1 January 2008	77,994	133,865	287	(40,585)	171,561
Loss attributable to equity holders	–	–	–	(8,321)	(8,321)
As at 31 December 2008	77,994	133,865	287	(48,906)	163,240

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (revised) of the Cayman Island, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts and they fall due in the ordinary course of business.

(ii) Statutory reserve

Fujian Nanshaolin, a wholly-foreign-owned enterprise in The People's Republic of China, is required to appropriate at least 10% of after-tax profit (after offsetting prior year losses) to a statutory reserve until the balance of the reserve reaches 50% of its share capital and thereafter any further appropriation is optional. The statutory reserve can be utilised to offset prior year losses, or for the issuance of bonus shares on the condition that the statutory reserve shall be maintained at a minimum of 25% of the share capital after such issuance.

(iii) General reserve

General reserve represents enterprise expansion fund which is non-distributable. Appropriations to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiary while the amount and allocation basis are decided by its board of directors annually. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiary by means of capitalisation issue.

(iv) Special reserve

The special reserve of the Group represents the differences between the nominal value and premium of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(r).

(vi) Share option reserve

The share option reserve of the Company and the Group arising on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in note 2(m).

(vii) Contributed surplus

The contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation prior to listing of the Company's shares in 2003.

(d) Distributable reserves of the Company

Under the Companies Law (revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

As at 31 December 2008, the Company's reserves available for distribution to shareholders amounted to approximately HK$162,953,000 (2007: HK$171,274,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of HK$77,994,000 (2007: HK$77,994,000) and contributed surplus of HK$133,865,000 (2007: HK$133,865,000), less accumulated losses of HK$48,906,000 (2007: HK$40,585,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to generate sufficient profit to maintain growth and provide a satisfactory return to its shareholders.

The management actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure through the amount of dividend payment to shareholders or raise new debt financing. No change were made in the objectives or policies during the year.

Consistent with industry practice, the management monitors the Group's capital structure on the basis of a debt-to-equity ratio. For this purpose the Group defines debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) plus unaccrued proposed dividends.

During 2008, the Group's debt-to-equity ratio increased as a result of increase in other payable of the Group.

The debt-to-equity ratio at 31 December 2008 and 2007 was as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:				
Trade and other payables	57,420	58,174	558	587
Amount due to a director	2	528	–	–
Non-current liabilities:				
Other payable	42,541	–	–	–
Total debt	99,963	58,702	558	587
Total equity	652,500	597,117	209,630	217,951
Debt-to-equity ratio	15.32%	9.83%	0.27%	0.27%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. Share option scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3 November 2003. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Share Option Scheme, the Board of Directors of the Company may grant options to the following eligible participants:

(i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries and any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries and any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any participant is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Share Option Scheme and expiring in accordance with the terms of the Share Option Scheme or the expiry of the tenth anniversary of the Share Option Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and shall not be less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average official closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Company's share.

The Share Option Scheme will remain in force for a period of 10 years commencing on 3 November 2003.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under option	Vesting conditions	Contractual life of options
Option granted to consultants:			
– On 14 September 2006	2,000,000	No vesting conditions	2 years
– On 14 May 2007	1,000,000	No vesting conditions	2 years
Total share options	3,000,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	Number of option *'000*	Weighted average exercise price	Number of option *'000*
Outstanding at the beginning of the year	HK$1.048	1,000	HK$0.59	2,000
Exercised during the year	–	–	HK$0.59	(2,000)
Granted during the year	–	–	HK$1.048	1,000
Outstanding at the end of the year	HK$1.048	1,000	HK$1.048	1,000
Exercisable at the end of the year	HK$1.048	1,000	HK$1.048	1,000

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2007 was HK$0.59.

The option outstanding at 31 December 2008 had an exercise price of HK$1.048 (2007: HK$1.048) and a weighted average remaining contractual life of 0.37 year (2007: 1.37 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial (Cox. Ross. Rubinstein) option pricing model ("Binomial Model") for the year ended 31 December 2007. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

Fair value of share options exercisable from 14 May 2007 to 13 May 2009 and assumption

	2007
Fair value per share at measurement date	HK$0.287
Market value per share at the date of grant of options	HK$1.03
Exercise price per share	HK$1.048
Expected volatility based on past two years historical price volatility of the Company	46%
Option life (expressed as weighted average life used in the modelling under Binomial Model)	2 years
Expected dividends	Nil
Risk-free interest rate (based on Exchange Fund Notes)	3.95%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

29. Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 because of the short maturity of these instruments.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has certain concentration of credit risk as 0% (2007: 13.68%) and 10.27% (2007: 49.26%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

(c) Interest rate risk

The Group is exposed to interest rate risk only to the extent that it earns interest on bank deposits.

The Group currency does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Company will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$33,140 (2007: HK$1,238,000). Other components of equity would not be affected (2007: HK$Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity table set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company required to pay:

		2008				2007		
	Weighted average effective interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	1 – 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
		HK$000	*HK$000*	*HK$000*	*HK$'000*	*HK$000*	*HK$000*	*HK$000*
The Group								
Trade and other payables		57,420	57,420	57,420	–	58,174	58,174	58,174
Amount due to a director		2	2	2	–	528	528	528
Other payable	4.75%	42,541	45,600	–	45,600	–	–	–
		99,963	103,022	57,422	45,600	58,702	58,702	58,702
The Company								
Trade and other payables		558	558	558	–	587	587	587

(e) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Renminbi as substantially all the turnover are in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

30. Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Authorised and contracted for		
– the acquisition of property, plant and equipment	–	16,621
– the acquisition of intangible assets	5,700	9,650
	5,700	26,271

(b) Operating lease commitments

As at 31 December 2008, the Group had commitments for future minimum lease payments in respect of properties under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	1,046	1,046
After one year but within five years	–	1,037
	1,046	2,083

Significant leasing arrangements in respect of land held under operating leases are described in note 15.

31. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Key management personnel are executive directors of the Company. Remuneration for key management personnel is disclosed in note 11.

32. Post balance sheet event

On 21 April 2009, the Company entered into the Warrant Placing Agreement with the Placing Agent, a third party independent of the Company, 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 the 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.

33. Comparative figures

With a view of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly comparative figures have been reclassified to conform with the current year's presentation.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of these financial statements, the HKICPA has issued the following, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Cost[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

[2] *Effective for annual periods beginning on or after 1 January 2009*

[3] *Effective for annual periods beginning on or after 1 July 2009*

[4] *Effective for annual periods beginning on or after 1 July 2008*

[5] *Effective for annual periods beginning on or after 1 October 2008*

[6] *Effective for transfers of assets from customers received on or after 1 July 2009*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and Interpretations will have no material impact on the results and the financial position of the Group and the Company.

III. INDEBTEDNESS

As at 31 July 2009, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding secured bank loan of approximately HK$22,800,000 which secured by the corporate guarantees provided by independent third party and at interest bearing at 7.56%.

Pledge of assets

As at 31 July 2009, the Enlarged Group has pledged its buildings with net book value of approximately RMB1,766,000 to an independent third party, of which the independent third party provided a corporate guarantee as a security of the bank loan as disclosed in the sub-section “Borrowings” above.

Contingent liabilities

As at 31 July 2009, the Enlarged Group had no significant contingent liabilities.

Commitments

As at 31 July 2009, the Enlarged Group had no significant commitment.

Disclaimers

Save as disclosed above, as at the close of business on 31 July 2009, the Enlarged Group did not have any bank overdrafts and loans, or other similar indebtedness, mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities.

The Board has confirmed that, save as disclosed above, there has not been any other material change in the indebtedness, commitments or contingence liabilities of the Enlarged Group since 31 July 2009.

IV. WORKING CAPITAL

The Directors, are of opinion that, taking into account of its internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, in the next twelve months from the date of this circular.

V. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcement of the Company dated 31 July 2009 regarding profit warning for the results of the Company for the six moths ended 30 June 2009, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial information of the Company were made up.

VI. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 December 2008:

For the year ended 31 December 2006

Financial review, business review and prospects

Building on the Group's great efforts and solid foundation, the Group recorded a consolidated turnover of approximately HK$342,000,000 for the year ended 31 December 2006, representing an increase of approximately 32% when compared with approximately HK$260,000,000 for the year ended 31 December 2005. Profit after tax was approximately HK$84,000,000, representing an increase of approximately 27% over the year ended 31 December 2005. Gross profit margin was approximately 40%. Sales of healthcare products was approximately HK$56,000,000, accounted for approximately 16% of the Group's total turnover. Sales of parenteral solution products for 2006 was approximately HK$286,000,000, representing an increase of approximately 20% compared to HK$239,000,000 of 2005.

The Group had continued to introduce high quality products to the market. In 2006, the Group launched 11 healthcare pharmaceuticals with turnover of approximately HK$56,000,000, accounted for approximately 16% of the total turnover of the Group. In 2006, it launched 62 parenteral solution products with turnover of approximately HK$286,000,000, up approximately 20% as compared to approximately HK$239,000,000 in 2005.

The Group held permits for over 100 pharmaceutical products in 2006. The Group anticipated that there would be 3 to 4 permits of pharmaceutical products granted to us each year.

Healthcare products were popular. Therefore, the Group would launch new products to meet the demand in this market. Points-of-sales of the Group's healthcare products include drug stores and supermarkets. While customers who are sick may take them for curing need, those who do not have any illness may also take them for healthcare purpose. By extending its existing market with the healthcare products, the Group would move forward to a new horizon in term of product sales.

Healthcare pharmaceutical products

Sales of healthcare pharmaceutical products in the first half of 2006 were approximately HK$22,000,000 and amounted to approximately HK$56,000,000 for the full year. It showed that the products of the Group were well received by the market, and the Group anticipated that their sales would keep growing steadily in the future. The production lines of the Group were capable to meet the demand for the coming few years.

Tenders of pharmaceutical rights

In 2007, Guangdong, Fujian and Guizhou have introduced unified tenders of pharmaceutical distribution rights at provincial level. The Group enjoyed fruitful results in pharmaceutical tenders in these provinces. It obtained distribution rights for approximately 80, 70 and 30 pharmaceutical products in Fujian, Guizhou and Guangdong respectively. The Group expected a record-breaking year of 2007 in terms of parenteral solution products sales.

The Group has acquired a parcel of land with an area of more than 26,000 square meters (40 mous) adjacent to its existing production facilities for the construction of raw materials production facilities, which would be used for the extraction of pure Chinese herbal essence for the Group's side effect-free, worldwide exclusive proprietary products "護肝胃酒靈 (Olive Granules)" and Anti-diabetes Tea. Construction of the production facility was expected to be completed in early 2008 and to commence operation in mid 2008.

While the Group was still using glass bottles for large volume parenteral solution, it was becoming more popular in the market to use containers made of plastic materials. The Group was thus considering a shift to using plastic containers. It was contemplating of setting up a new production line for manufacture of plastic packaging materials supplying to the Group in 2008 to 2009 so as to ensure the quality control and cost saving. It may also consider to sell packaging materials to external customers.

In November 2006, permits of 2 parenteral solutions of the Group had been duly granted by the Health Department of Hong Kong upon submission to strict review and approval procedures. Other applications for sales of products in Hong Kong were being processed.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2006, the audited consolidated total assets, total liabilities and net assets of the Group amounted to approximately HK$491,255,000, HK$54,759,000 and HK$436,496,000, respectively. The consolidated cash and bank balances as at 31 December 2006 amounted to approximately HK$156,039,000.

The Group's gearing ratio (calculated as consolidated total liabilities over consolidated total assets) was approximately 0.11 as at 31 December 2006.

The Group did not incur any borrowings (which means loans) as at 31 December 2006. All of the Group's products were sold in the PRC and denominated in Renminbi.

Capital commitment

The Group had capital commitment of approximately HK$500,000 as at 31 December 2006.

Treasury policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks were limited by the Group's financial management policies and practices described below.

(a) Fair values: The carrying amounts of the cash and bank deposits, trade and other receivables and payables, and short-term bank loans and balances with related parties approximate their fair values because of the short maturity of these instruments;

(b) Credit risk: The Group had no significant concentrations of credit risk. The carrying amount of bank and cash balances and trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group had a credit policy in place and the exposures to these credit risks were monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations were performed on all customers requiring credit over a certain amount. These receivables were due within 90 days from the date of billing. Debtors with balances that were more than 3 months overdue were requested to settle all outstanding balances before any further credit is granted. Normally the Group did not obtain collateral from customers.

(c) Interest rate risk: The Group did not have substantial interest-bearing assets and liabilities. The Group's income and operating cash flows were substantially independent of changes in market interest rates.

(d) Liquidity risk: The Group's policy was to maintain sufficient cash and cash equivalents to meet its commitments over the next year in accordance with its strategic plan.

(e) Currency risk: The Group was exposed to foreign currency risk primarily through sales and purchases that were denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk were primarily Renminbi. The Group had not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. Hong Kong dollars against Renminbi were relatively stable during 2006 and as a result, the Group considered it had no material foreign risk.

Exchange rate exposure

The Group used Hong Kong dollars as its reporting currency and thus was not exposed to material foreign currency exchange risk for the year ended 31 December 2006. There was no hedging policy with respect to the foreign exchange exposure.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2006.

Significant investments, material acquisitions and disposals

The Group did not have any significant investments, material acquisitions and disposals for the year ended 31 December 2006.

Employment and remuneration policy

During 2006, the Group's labour force in respect of packaging was reduced due to the introduction of equipments upgrade and a change in employment terms. As at 31 December 2006, the Group had a total of 127 employees. The Group regularly reviewed the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees were entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.

Pledged of assets

The Group had no charges on assets pledged assets as at 31 December 2006.

For the year ended 31 December 2007

Financial review, business review and prospects

The Group continued to launch high quality products into the market. In 2007, it launched 21 healthcare pharmaceutical products with turnover of approximately HK$83,000,000, up approximately 48% as compared to approximately HK$56,000,000 in 2006. The Group also launched 66 parenteral solution products in 2007 with turnover of approximately HK$328,000,000, up approximately 15% as compared to approximately HK$286,000,000 in 2006. The healthcare pharmaceutical products and parenteral solution products accounted for approximately 20% and 80% of the total turnover of the Group, respectively.

For the year ended 31 December 2007, the consolidated turnover of the Group was approximately HK$412,000,000, up approximately 20% as compared to the turnover of same period in 2006 of approximately HK$342,000,000. Net profit after taxation was approximately HK$91,000,000, up approximately 8% as compared to same period in 2006. Gross margin was approximately 39%. Earnings per share of the Group in 2006 was approximately HK20.49 cents.

The Group continued to introduce different new healthcare pharmaceutical products and parenteral solution products in 2007 and obtained satisfactory growth in sales and profit. While delivering improving results of the Group, the Group would continue to launch different new products to improve the health standard of the people in the PRC.

In 2007, the Group held permits for over 100 pharmaceutical products and national patents for production process of three products, including the production process of Olive Granules and the extracting method of Anti-diabetes Tea. However, the Group would continue to launch high quality products to benefit general public and at the same time enhance the profitability of the Group.

Moreover, the Group had three products approved for sale and use in Hong Kong. These products include Kanamycin Sulphate Injection Solution (硫酸卡那霉素注射液), Netilmicin Sulphate Injection Solution (硫酸奈替米星注射液) and Lincomycin Hydrochloride Injection Solution (鹽酸林可霉素注射液).

Parenteral Solution Products

Turnover of parenteral solution products had a sustained growth in 2007. In order to keep this momentum and to solidify the position of "南少林" brand name, the Group would actively purchased high quality parenteral solution products from pharmaceutical research and development companies for launching the products manufactured under the "南少林" brand name.

Healthcare Pharmaceutical Products

With the increase in income of PRC population, coupled with the increasing awareness of health consciousness, the turnover of healthcare pharmaceutical products should maintain steady growth. In future, the Group would continue to launch diversified healthcare pharmaceutical products to cope with different market needs.

The Group's injection products were intended for patients in hospitals or clinics, while healthcare products were intended for people in the country who are healthcare conscious. The healthcare pharmaceutical products, manufactured by the Group and extracted from natural Chinese herbs, include Anti-blood pressure Tea, Antidiabetes Tea and Olive Granules. They were catered for people living in the cities with symptoms of high blood pressure, diabetes and liver damage by alcoholism and therefore, widely accepted by the market once launched.

All the production lines of the Group were granted GMP certification by the State Food and Drug Administration Bureau. In 2007, the Group had one production line for each of the large volume parenteral solution product and small volume parenteral solution product. Moreover, it had 15 production lines of healthcare pharmaceutical products manufacturing different product categories like: pill, capsule, granule, powder, herbal tea, edible solution, syrup, suspension, nasal drop, eye drop, ear drop, tincture, solution, suppository and aerosol.

In order to enhance our product quality, the Group would continue to invest to improve its plant and production facilities. The purpose of which was to maintain raw materials standard and on-going improvement in productivity.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2007, the audited consolidated total assets, total liabilities and net assets of the Group amounted to approximately HK$660,627,000 and HK$63,510,000, respectively. The consolidated cash and bank balances as at 31 December 2007 amounted to approximately HK$123,827,000.

The Group's gearing ratio (calculated as consolidated total liabilities over consolidated total assets) was approximately 0.09 as at 31 December 2007.

The Group did not incur any borrowings (which means loans) as at 31 December 2007. All of the Group's products were sold in the PRC and denominated in Renminbi.

Capital commitment

The Group had capital commitment of approximately HK$26,271,000 as at 31 December 2007.

Treasury policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks were limited by the Group's financial management policies and practices described below:

(a) Fair values: All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2007 and 2006 because of the short maturity of these instruments.

(b) Credit risk: The Group's credit risk was primarily attributable to trade and other receivables. Management had a credit policy in place and the exposures to these credit risks were monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations were performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables were due within 90 days from the date of billing. Debtors with balances that were more than 3 months past due were requested to settle all outstanding balances before any further credit was granted. Normally, the Group did not obtain collateral from customers.

The Group's exposure to credit risk was influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also had an influence on credit risk but to a lesser extent. As at 31 December 2007, the Group had certain concentration of credit risk as 13.68% and 49.26% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk was represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group did not provide any guarantees which would expose the Group or the Company to credit risk.

(c) Interest rate risk: The Company was exposed to interest rate risk only to the extent that it earned bank interest on cash and deposits.

At 31 December 2007, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the company's profit after tax and retained profits by approximately HK$1,238,000.

Other components of equity would not be affected by the changes in interest rates. The sensitivity analysis above had been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

(d) Liquidity risk: Liquidity risk was the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy was to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintained sufficient reserves of cash and adequate committed lines of funding from bank to meet its liquidity requirements in the short and longer term.

(e) Currency risk: The Group was exposed to currency risk primarily through sales and purchases that were denominated in Renminbi and the Company conducted its business transactions principally in Renminbi. The Group did not have a foreign currency hedging policy. Renminbi was not a freely convertible currency and the remittance of funds out of the PRC was subject to the exchange restriction imposed by the PRC government. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure if necessary.

Exchange rate exposure

The following table details the Group's exposure as 31 December 2007 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate.

The Group

	2007	**2006**
	RMB'000	*RMB'000*
Property, plant and equipment	228,837	148,818
Prepaid lease payment	2,110	3,315
Intangible assets	73,385	85,252
Inventories	35,570	11,016
Trade receivables	93,652	86,176
Prepayments, deposits and other receivables	65,874	6
Cash and bank balances	105,252	11,016
Trade payables	(27,151)	(22,546)
Accruals and other payables	(26,539)	(22,172)
Taxation payables	(4,484)	(3,984)
Amount due to a director	(490)	(24,167)
Overall net exposure	**546,016**	**272,730**

In 2007, there was no hedging policy with respect to the foreign exchange exposure.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2007.

Significant investments, material acquisitions and disposals

The Group did not have any significant investments, material acquisitions and disposals for the year ended 31 December 2007.

Employment and remuneration policy

As at 31 December 2007, the Group had a total of 134 employees. The Group regularly reviewed the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees were entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.

Pledged of assets

The Group had no charges on assets pledged assets as at 31 December 2007.

For the year ended 31 December 2008

Financial review, business review and prospects

The healthcare pharmaceutical products and parenteral solution products accounted for approximately 27% and 73% of the total turnover of the Group respectively.

Healthcare Pharmaceutical Products

In 2008, the Group launched 21 healthcare pharmaceutical products with turnover of approximately HK$114,000,000, up approximately 37% as compared to approximately HK$83,000,000 in 2007. Although there was no new products were launched in 2008, there was still remarkable sales growth in 2008. It represents that there were much rooms for the Group to explore the market.

Parenteral Solution Products

The Group launched 71 parenteral solution products in 2008 with turnover of approximately HK$308,000,000, down approximately 6% as compared to approximately HK$328,000,000 in 2007. Even more new products were launched in the market, the turnover decreased slightly. The Group would spend more effort to keep the turnover of parenteral solution.

For the year ended 31 December 2008, the consolidated turnover of the Group was approximately HK$422,000,000, up approximately 2% as compared to the turnover of same period in 2007 of approximately HK$412,000,000. Net profit after taxation was approximately HK$24,000,000, down approximately 74% as compared to same period in 2007 of approximately HK$91,000,000. Gross margin was approximately 26%. Earnings per share of the Group in 2008 was approximately HK5.07 cents

The Group gained a satisfactory growth in sale in the first half of 2008. However, it was affected by the global economic downturn in the second half of 2008 with a decline in sale. Nevertheless, the whole-year sale maintained the same as compared to 2007. Sale in healthcare pharmaceutical products even achieved a significant growth, reflecting that it was a wise strategy for the Group to develop healthcare pharmaceutical products since 2005.

The deepening plan for medical reform by State Council stated that from 2008 on to 2011, amount of RMB850 billion would be injected to promote the five main fields of medical reform, namely medicare security, basic pharmaceutical, basic-level medical hygiene service system, basic public hygiene service and public hospital. The plan proposed the achievement of "Medicare Security for Whole Nation" within three years and expected that all residents in rural areas or cities will get basic medicare security in 2011. Thus, pharmaceutical industry has a bright future. Since the Group's mission is to provide Chinese people with quality parenteral solution and healthcare pharmaceutical products, certainly it will benefit from this plan.

The Group has a foresight. Prior to this plan, it has established strategies to welcome the good prospect. In 2008, the Group optimized its production facilities and equipment and raise the popularity of its brand "Fujian Nanshaolin"（福建南少林）by advertisement, which laid a firm foundation on its production and sale. Admittedly, these strategies costed a lot, optimization of production facilities increased depreciation resulting in a higher cost of sale in the coming years and advertising activities also increase the selling expenses. Although profit for 2008 would lower by these expenses immediately, the Group focused on the long-term benefit rather than the short-term and dedicates to earning a long-lasting and favorable return for its shareholders.

As at 31 December 2008, the Group offered 92 types of products in different package, which were all sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2008, the audited consolidated total assets, total liabilities and net assets of the Group amounted to approximately HK$752,463,000, HK$57,422,000 and HK$652,500,000, respectively. The consolidated cash and bank balances as at 31 December 2008 amounted to approximately HK$3,314,000.

The Group's gearing ratio (calculated as consolidated total liabilities over consolidated total assets) was approximately 0.07 as at 31 December 2008.

The Group did not incur any borrowings (which means loans) as at 31 December 2008. All of the Group's products were sold in the PRC and denominated in Renminbi.

Capital commitment

The Group had capital commitment of approximately HK$5,700,000 as at 31 December 2008.

Treasury policies

Exposure to credit, liquidity, interest rate and currency risks arised in the normal course of the Group's business. These risks were limited by the Group's financial management policies and practices described below:

(a) Fair values: All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 because of the short maturity of these instruments.

(b) Credit risk: The Group's credit risk was primarily attributable to trade and other receivables. Management had a credit policy in place and the exposures to these credit risks were monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations were performed on all customers requiring credit over a certain amount. These evaluations focused on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables were due within 90 days from the date of billing. Debtors with balances that were more than 3 months past due were requested to settle all outstanding balances before any further credit is granted. Normally, the Group did not obtain collateral from customers.

The Group's exposure to credit risk was influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also had an influence on credit risk but to a lesser extent. As at 31 December 2008, the Group had certain concentration of credit risk as 0% and 10.27% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk was represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group did not provide any guarantees which would expose the Group or the Company to credit risk.

(c) Interest rate risk: The Group was exposed to interest rate risk only to the extent that it earned interest on bank deposits.

The Group did not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Company would consider hedging significant interest rate exposure should the need arises.

At 31 December 2008, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$33,140. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above had been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2007.

(d) Liquidity risk: Individual operating entities within the Group were responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy was to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity table set out the remaining contractual maturities as at 31 December 2008 of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company required to pay:

	Weighted average effective interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	1-2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group								
Trade and other payables		57,420	57,420	57,420	–	58,174	58,174	58,174
Amount due to a director		2	2	2	–	528	528	528
Other payable	4.75%	42,541	45,600	–	45,600	–	–	–
		99,963	103,022	57,422	45,600	58,702	58,702	58,702
The Company								
Trade and other payables		558	558	558	–	587	587	587

Exchange rate exposure

In 2008, there was no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency was Renminbi as substantially all the turnover is in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2008.

Significant investments, material acquisition and disposals

The Group did not have any significant investments, material acquisition and disposals for the year ended 31 December 2008.

Employment and remuneration policy

As at 31 December 2008, the Group had a total of 114 employees. The Group regularly reviewed the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees were entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.

Pledged of assets

The Group had no charges on assets pledged assets as at 31 December 2008.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants
CAREA

Room 511-512, 5/F.,
Lippo Sun Plaza,
28 Canton Road,
Tsimshatsui,
Hong Kong

25 September 2009

The Broad of Directors
Broad Intelligence International Pharmaceutical Holdings Limited
Unit 1903, Allied Kajima Building,
138 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Eagle Mascot Limited (the "Target Company") for the period from 11 May 2009 (date of incorporation) to 30 June 2009 (the "Relevant Period") for inclusion in the circular dated 25 September 2009 (the "Circular") issued by Broad Intelligence International Pharmaceutical Holding Limited (the "Company") in connection with the proposed acquisition by Hover Rise Limited, a wholly-owned subsidiary of the Company, of the entire issued share capital of the Target Company ("Acquisition").

The Target Company was incorporated in the British Virgin Islands with limited liability on 11 May 2009 and acts as an investment holding company. The addresses of the registered office and principal place of business of the Target Company is located at P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. As at the date of this report, Talents Eagle Holdings Limited and Heroic Rich Limited, being the vendors of the Acquisition are the legal and beneficial owners of the entire issued share capital of the Target Company which held 75% and 25% equity interests in the Target Company respectively.

As at the date of this report, the Target Company had the following subsidiaries, which are private companies with limited liability and were acquired by the Target Company subsequent to 30 June 2009.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid up registered capital	Attributable equity interests held by the Target Company	Principal activities
Eagle Champion Holdings Limited ("Eagle Champion")	Hong Kong Incorporated on 18 May 2009	1 ordinary share of HK$1	100% (Direct)	Investment holding
Shenzhen Anxin Digital Development Co., Limited ("An-xin")	The People's Republic of China Established on 25 December 2007	Registered capital RMB75,000,000	100% (Indirect)	Production of system software and application software; Provision of system solutions according to client's need; and Provision of long term agency operation and maintenance services on system solutions
Shenzhen Anke Safety Production Information Services Co., Limited	The People's Republic of China Established on 24 August 2006	Registered capital RMB5,000,000	100% (Indirect)	Development on enterprise safety technology Provision of consultancy services for enterprise safety technology

The financial year end date of the Target Company is 31 December. No audited financial statements have been prepared for the Target Company as the Target Company has not yet to the first financial year end date.

As a basis for forming an opinion on the Financial Information for the purpose of this report, the sole director of the Target Company has prepared the management accounts of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Information"). We have carried out independent audit procedures on the HKFRS Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the HKFRS Financial Information and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The income statement, cash flow statement and statement of changes in equity of the Target Company for the Relevant Period set out in this report have been prepared based on the HKFRS Financial Information for the Relevant Period for the purpose of preparing our report for inclusion in the Circular. No adjustment was considered necessary to the HKFRS Financial Information in preparing our report for inclusion in the Circular.

The HKFRS Financial Information is the responsibility of the sole director of the Target Company who approved its issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the HKFRS Financial Information, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 30 June 2009 and of its results and cash flows for the period from 11 May 2009 (date of incorporation) to 30 June 2009.

A. FINANCIAL INFORMATION

Income statement of the Target Company

	Notes	For the period from 11 May 2009 (date of incorporation) to 30 June 2009 *HK$*
Turnover	*4(e)*	–
Administration expenses		–
Profit from operation	*7*	–
Finance cost		–
Profit before tax		–
Taxation		–
Profit for the period		–
Attributable to equity holders of the Target Company		–

Balance sheet of the Target Company

		As at 30 June
		2009
	Notes	*HK$*
ASSETS		
Non-current assets		
Investment in a subsidiary	*11*	1
Current assets		
Amounts due to shareholders	*12*	779
Total assets		780
EQUITY		
Capital and reserves attributable to the Target Company's equity holders		
Share capital	*13*	780
Total equity		780
Net current assets		779
Total assets less current liabilities		780
Net assets		780

Statement of change in equity of the Target Company

	Share capital	**Retained profits**	**Total**
	HK$	*HK$*	*HK$*
At 11 May 2009 (date of incorporation)	–	–	–
Issuance of shares	780	–	780
Profit for the period	–	–	–
At 30 June 2009	780	–	780

Cash Flow Statement of the Target Company

	For the period from 11 May 2009 (date of incorporation) to 30 June 2009
	HK$
Operating activities	
Profit from operation	–
Operating profit before working capital properties	–
Increase in amounts due to shareholders	(779)
Net cash used in operating activities	(779)
Investing activities	
Acquisition of a subsidiary	(1)
Net cash used in investing activities	(1)
Financing activities	
Proceeds from issuance of shares	780
Net cash generated from financing activities	(780)
Net increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

B. NOTES TO FINANCIAL INFORMATION

1. Corporation information

The Target Company was established in the British Virgin Islands on 11 May 2009 with limited liability. The registered office of the Target Company was located at P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of the Target Company is investment holding.

2. Basis of preparation

(a) Basic of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements as set out by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information of the Target Company is presented in Hong Kong dollars, which is the same as the functional currency of the Target Company.

3. Application of new and revised Hong Kong Financial Reporting Standards

The Target Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The director of the Target Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Target Company.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Embedded Derivatives[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[5]

1. *Effective for annual periods beginning on or after 1 July 2009*
2. *Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified*
3. *Effective for annual periods beginning on or after 1 July 2009*
4. *Effective for annual periods ending on or after 30 June 2009*
5. *Effective from 1 July 2009*

4. Significant Accounting Policies

(a) Subsidiary

Subsidiaries are all entities over which the Target Company has the power to govern the financial and operating policies which generally a shareholding of more than a 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 Target Company controls another entity.

In the Target Company's balance sheet, interests in subsidiaries are carried at cost less any impairment losses and their results are included in the Target Company's income statement to the extent of dividend received only.

(b) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Target Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amount due from a director) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Target Company's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including amount due to a director) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(c) Revenue

The Target Company did not generate any turnover during the relevant period.

(d) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(f) Provision

A provision is recognised when the Target Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(g) Impairment of assets

At each balance sheet date, the Target Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

(h) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Target Company. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Target Company if the Target Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Target Company and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Target Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Target Company or of any entity that is a related party of the Target Company.

5. Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expects that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of asset

The Target Company tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) Income taxes and deferred taxation

The Target Company is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6. Business and geographical segments

No business segment information has been presented as the Target Company has not yet commenced business during the Relevant Period and intends to principally engage in investment holding.

No geographical segment information has been presented as all the Target Company's assets at 30 June 2009 were located in Hong Kong.

7. Profit from operation

	For the period from 11 May 2009 (date of incorporation) to 30 June 2009 *HK$*
Auditor's remuneration	–
Employee benefits expenses (excluding director's emoluments)	
– salaries and allowance	–
– other remuneration	–

8. Director's emoluments

The emoluments paid or payable to the director were as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	HK$	*HK$*	*HK$*	*HK$*
For the period from 11 May 2009 (date of incorporation) to 30 June 2009				
Yang Kezhi (Appointed on 9 June 2009)	–	–	–	–

Compensation to key management personnel

The director of the Target Company considers that the director is the only key management personnel of the Target Company.

There were no arrangements under which a director of the Target Company waived or agreed to waive any remuneration during the Relevant Period. There were no discretionary bonuses paid to the director of the Target Company during the Relevant Period.

During the Relevant Period, no emoluments were paid by the Target Company to the director as an inducement to join or upon joining the Target Company or as compensation for loss of office.

9. Loss per share

Loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

10. Taxation

No provision for income tax has been made as the Target Company did not generate any taxable profit during the Relevant Period.

No deferred tax assets and liabilities are recognised in the Financial Information as the Target Company did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 30 June 2009.

11. Investment in a subsidiary

	As at 30 June 2009 *HK$*
Unlisted share, at cost	1

The principal subsidiary of the Target Company as at the balance sheet date is as follows:

Name of the subsidiary:	Eagle Champion Holdings Limited
Place of incorporation:	Hong Kong
Nominal value of issued share capital:	HK$1
Percentage of equity holding direct:	100%
Principal activity:	Investment holding

12. Amounts due from shareholders

Amounts due from shareholders is unsecured, interest free and receivable on demand.

13. Share capital

	As at 30 June 2009 *HK$*
Authorised:	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:	
100 ordinary shares of US$1 each	780

14. Capital Risk Management

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Target Company consists of equity attributable to equity holders of the Target Company, comprising of share capital only. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

15. Financial instruments

Financial assets by category

The carrying amount of the Target Company's financial assets by category of financial instruments included in the balance sheet and the headings in which they are included are as follows:

	As at 30 June 2009
	HK$
Financial assets:	
Loans and receivables	
Amounts due from shareholders	779

16. Financial risk management objective and policies

The directors formulate strategies to manage and monitor the Target Company's exposure to variety of risks associated with financial instrument which arise from the Target Company's operating and investing activities. Generally, the Target Company employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how these risks are mitigated are described as follow:

(a) Market risk

There has been no change to the Target Company's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The director of the Target Company considers that the Target Company is not exposed to significant foreign currency risk.

(ii) Interest rate risk

The Target Company is exposed to minimal interest rate risks as the Target Company's financial assets and liabilities are non-interest bearings.

(iii) Price risk

As the Target Company has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Target Company is not exposed to significant price risk.

(b) Credit risk

The Target Company has no significant credit risk, including risk resulting from counterparty default and risk of concentration. The Target Company has policies in place for the control and monitoring of such credit risk.

(c) Liquidity risk

The liquidity of the Target Company is managed and monitored by maintaining sufficient cash balances. The director of the Target Company considers that the Target Company does not have significant liquidity risk.

All the Target Company's financial liabilities are repayable on demand. In the opinion of the director of the Target Company, the preparation of maturity profile is not necessary.

C. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, no other significant event took place subsequent to 30 June 2009.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 June 2009.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
YIP KAI YIN
Practising Certificate Number: P05131

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants
CAREA

Room 511-512, 5/F.,
Lippo Sun Plaza,
28 Canton Road,
Tsimshatsui,
Hong Kong

25 September 2009

The Broad of Directors
Broad Intelligence International Pharmaceutical Holdings Limited
Unit 1903, Allied Kajima Building,
138 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sirs,

We set out below our report on the consolidated financial information (the "Consolidated Financial Information") of 深圳市安芯數字發展有限公司 (transliterated as Shenzhen Anxin Digital Development Co., Limited) ("An-xin") for the year ended 31 December 2006, 31 December 2007 and 31 December 2008, and for the six months ended 30 June 2009 (the "Relevant Periods") for inclusion in the circular dated 25 September 2009 (the "Circular") issued by Broad Intelligence International Pharmaceutical Holding Limited (the "Company") in connection with the proposed acquisition by Hover Rise Limited, a wholly-owned subsidiary of the Company, of the entire issued share capital of Eagle Mascot Limited, an ultimate holding company of An-xin as at the date of this report.

An-xin was established in the People's Republic of China ("PRC") with limited liability on 25 December 1997 and is principally engaged in the production of system software and application software, provision of system solutions according to the client's need and provision of long term agency operation and maintenance services on system solutions. The address of the registered office and principal place of business of An-xin is located at 中國深圳市南山區南山大道南油第三工業區302樓2層210-216室.

As at 30 June 2009, An-xin has a registered capital of RMB75,000,000 and was owned by independent third parties ("Former Shareholders"). Pursuant to a share transfer agreement dated 5 August 2009 entered into between Eagle Champion Holdings Limited ("Eagle Champion") and Former Shareholders, the entire registered capital of An-xin held by the Former Shareholders were transferred to Eagle Champion at a consideration of RMB83,000,000. Accordingly, the corporate statute of An-xin had been transformed to a wholly foreign-owned enterprise.

As at the date of this report, An-xin had the following subsidiaries, which are private companies with limited liability:

Name of subsidiary	Place and date of establishment	Registered capital	Attributable equity interests held by An-xin	Principal activities
Shenzhen Anke Safety Production Information Services Co., Limited	The People's Republic of China Established on 24 August 2006	Registered Capital RMB5,000,000	100% (Direct)	Development on enterprise safety technology Provision of consultancy services for enterprise safety technology

The financial year end date of An-xin is 31 December. The PRC statutory consolidated financial statements of An-xin for the year ended 31 December 2006, 31 December 2007 and 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise established in the PRC. The PRC statutory consolidated financial statements of An-xin for the year ended 31 December 2006 and 31 December 2007 were audited by Vocation International Certified Public Accountants Co., Limited, certified public accountants registered in the PRC. The PRC statutory consolidated financial statements of An-xin for the year ended 31 December 2008 were audited by Carea Schinda Certified Public Accountants Limited, certified public accountants registered in the PRC.

As a basis for forming an opinion on the Consolidated Financial Information for the purpose of this report, the directors of An-xin have prepared management accounts of An-xin for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Consolidated Financial Information"). We have carried out independent audit procedures on the HKFRS Consolidated Financial Information in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the HKFRS Consolidated Financial Information and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Consolidated Financial Information of An-xin for the Relevant Periods set out in this report has been prepared based on the HKFRS Consolidated Financial Information for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The HKFRS Consolidated Financial Information is the responsibility of the directors of An-xin who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Consolidated Financial Information set out in this report from the HKFRS Consolidated Financial Information, to form an independent opinion on the Consolidated Financial Information and to report our opinion to you.

In our opinion, the Consolidated Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of An-xin as at 31 December 2006, 2007 and 2008, and as at 30 June 2009 and of its results and cash flows for the year ended 31 December 2006, 31 December 2007, 31 December 2008 and for the six months period ended 30 June 2009.

The comparative consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of An-xin for the six months ended 30 June 2008, together with the notes thereon (the "Comparative Consolidated Financial Information") were prepared by the directors of An-xin solely for the purpose of this report. We have reviewed the Comparative Consolidated Financial Information in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Comparative Consolidated Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Comparative Consolidated Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Consolidated Financial Information, which conform with HKFRSs.

A. CONSOLIDATED FINANCIAL INFORMATION

Consolidated Income statement of An-xin

	Notes	Year ended 31 December 2006 RMB'000 (Audited)	Year ended 31 December 2007 RMB'000 (Audited)	Year ended 31 December 2008 RMB'000 (Audited)	For the six months period ended 30 June 2009 RMB'000 (Audited)	For the six months ended 30 June 2008 RMB'000 (Unaudited)
Revenue	*6*	132,709	178,066	71,380	61,669	30,705
Cost of sales		(56,542)	(63,756)	(13,070)	(4,602)	(9,495)
Gross profit		76,167	114,310	58,310	57,067	21,210
Other income		230	1,653	5,052	2,873	2,688
Selling and administrative expenses		(9,754)	(15,903)	(14,565)	(8,210)	(6,446)
Profit from operations	*8*	66,643	100,060	48,797	51,730	17,452
Finance costs	*9*	(453)	–	(1,077)	(576)	(349)
Profit before tax		66,190	100,060	47,720	51,154	(17,103)
Taxation	*10*	–	(7,704)	(2,553)	(7,160)	(1,816)
		66,190	92,356	45,167	43,994	15,287

Consolidated Balance sheet of An-xin

	Notes	As at 31 December 2006 RMB'000 (Audited)	As at 31 December 2007 RMB'000 (Audited)	As at 31 December 2008 RMB'000 (Audited)	As at 30 June 2009 RMB'000 (Audited)	As at 30 June 2008 RMB'000 (Unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	17	11,194	23,755	15,414	14,359	16,795
Construction in progress	18	–	–	–	100	–
Intangible assets	19	4,167	3,667	3,167	2,917	3,542
Deferred tax assets	29	–	280	2,122	2,249	280
		15,361	27,702	20,703	19,625	20,617
Current assets						
Account receivables	21	20,985	45,434	52,145	60,296	45,468
Inventories	22	22,306	7,190	6,247	4,851	7,850
Prepayments and other receivables	23	11,891	15,250	41,375	68,187	17,551
Cash and bank balances		72,108	73,611	47,502	15,440	62,207
		127,290	141,485	147,269	148,774	133,076
Total assets		142,651	169,187	167,972	168,399	153,693
EQUITY						
Capital and reserves attributable to An-xin's equity holders						
Paid up capital	26	20,000	22,730	75,000	75,000	75,000
Reserves	27	58,890	94,246	44,281	55,892	42,902
Total equity		78,890	116,976	119,281	130,892	117,902

	Notes	As at 31 December 2006 RMB'000 (Audited)	As at 31 December 2007 RMB'000 (Audited)	As at 31 December 2008 RMB'000 (Audited)	As at 30 June 2009 RMB'000 (Audited)	As at 30 June 2008 RMB'000 (Unaudited)
LIABILITIES						
Current liabilities						
Account payables	*24*	1,490	4,669	1,031	881	5,784
Accruals		902	729	1,460	1,851	972
Deposit received and other payables	*25*	34,537	22,500	18,845	891	8,635
Current portion of secured bank loan	*28*	13,000	–	–	20,000	–
Tax payables		13,582	24,063	6,955	13,484	–
		63,511	51,961	28,291	37,107	15,391
Non-current liabilities						
Secured bank loans	*28*	–	–	20,000	–	20,000
Long-term payables		250	250	400	400	400
		250	250	20,400	400	20,400
Total liabilities		63,761	52,211	48,691	37,507	35,791
Total equity and liabilities		142,651	169,187	167,972	168,399	153,693
Net current assets		63,779	89,524	118,978	111,667	117,685
Total assets less current liabilities		79,140	117,226	139,681	131,292	138,302
Net assets		78,890	116,976	119,281	130,892	117,902

Balance sheet of An-xin

	Notes	As at 31 December 2006 RMB'000 (Audited)	As at 31 December 2007 RMB'000 (Audited)	As at 31 December 2008 RMB'000 (Audited)	As at 30 June 2009 RMB'000 (Audited)	As at 30 June 2008 RMB'000 (Unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	*17*	11,194	23,755	15,414	14,359	16,795
Intangible assets	*19*	4,167	3,667	3,167	2,917	3,542
Construction in progress	*18*	–	–	–	100	–
Deferred tax assets	*29*	–	280	2,122	2,249	280
Investment in subsidiaries	*20*	–	–	10,000	5,000	10,000
		15,361	27,702	30,703	24,625	30,617
Current assets						
Account receivables	*21*	20,985	45,434	52,145	60,296	45,468
Inventories	*22*	22,306	7,190	6,247	4,851	7,850
Prepayments and other receivables	*23*	11,891	15,250	35,869	61,785	17,551
Cash and bank balances		72,108	73,611	47,475	15,278	62,207
		127,290	141,485	141,736	142,210	133,076
Total assets		142,651	169,187	172,439	166,835	163,693
EQUITY						
Capital and reserves attributable to An-xin's equity holders						
Paid up capital	*26*	20,000	22,730	75,000	75,000	75,000
Reserves	*27*	58,890	94,246	44,925	50,892	42,902
Total equity		78,890	116,976	119,925	125,892	117,902

	Notes	As at 31 December 2006 RMB'000 (Audited)	As at 31 December 2007 RMB'000 (Audited)	As at 31 December 2008 RMB'000 (Audited)	As at 30 June 2009 RMB'000 (Audited)	As at 30 June 2008 RMB'000 (Unaudited)
LIABILITIES						
Current liabilities						
Account payables	*24*	1,490	4,669	1,031	881	5,784
Accruals		902	729	1,453	1,848	972
Deposit received and other payables	*25*	34,537	22,500	22,675	4,330	18,635
Current portion of secured bank loan	*28*	13,000	–	–	20,000	–
Tax payables		13,582	24,063	6,955	13,484	–
		63,511	51,961	32,114	40,543	25,391
Non-current liabilities						
Secured bank loans	*28*	–	–	20,000	–	20,000
Long-term payables		250	250	400	400	400
		250	250	20,400	400	20,400
Total liabilities		63,761	52,211	52,514	40,943	45,791
Total equity and liabilities		142,651	169,187	172,439	166,835	163,693
Net current assets		63,779	89,524	109,622	101,667	107,685
Total assets less current liabilities		79,140	117,226	140,325	126,292	138,302
Net assets		78,890	116,976	119,925	125,892	117,902

Consolidated Statement of change in equity of An-xin

	Attributable to equity holders of An-xin				
	Paid up capital	**Statutory reserve**	**Retained profits**	**Proposed dividends**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	20,000	1,114	6,315	–	27,429
Profit for the year	–	–	66,190	–	66,190
Transfer to statutory reserve	–	6,619	(6,619)	–	–
Interim Dividend paid	–	–	(14,729)	–	(14,729)
Proposed final 2006 Dividend	–	–	(8,291)	8,291	–
At 31 December 2006 and at 1 January 2007	20,000	7,733	42,866	8,291	78,890
Proceeds from capital contribution	2,730	–	–	–	2,730
Profit for the year	–	–	92,356	–	92,356
Transfer to statutory reserve	–	9,229	(9,229)	–	–
Interim Dividend paid	–	–	(57,000)	–	(57,000)
Proposed final 2007 Dividend	–	–	(33,083)	33,083	–
At 31 December 2007 and at 1 January 2008	22,730	16,962	35,910	41,374	116,976
Proceeds from capital contribution	52,270	–	–	–	52,270
Profit for the year	–	–	45,167	–	45,167
Transfer to statutory reserve	–	(13,411)	13,411	–	–
Interim Dividend paid	–	–	(95,132)	–	(95,132)
At 31 December 2008 and at 1 January 2009	75,000	3,551	(644)	41,374	119,281
Profit for the period	–	–	43,994	–	43,994
Transfer to statutory reserve	–	4,164	(4,164)	–	–
2006 and 2007 final dividend paid	–	–	–	(32,383)	(32,383)
Proposed Interim dividend	–	–	(39,186)	39,186	–
At 30 June 2009	75,000	7,715	–	48,177	130,892

Consolidated cash flow statements of An-xin

	Year ended 31 December 2006 RMB'000 (Audited)	Year ended 31 December 2007 RMB'000 (Audited)	Year ended 31 December 2008 RMB'000 (Audited)	For the six months ended 30 June 2009 RMB'000 (Audited)	For the six months ended 30 June 2008 RMB'000 (Unaudited)
Cash flows from operating activities					
Profit from operations	66,643	100,060	48,797	51,730	17,452
Adjustments for Depreciation	981	1,086	2,906	1,076	1,453
Amortisation of intangible assets	500	500	500	250	125
Operating profit before working capital changes	68,124	101,646	52,203	53,056	19,030
Increase in account receivables	(23,192)	(24,449)	(6,712)	(6,117)	(34)
(Increase)/Decrease in inventories	7,677	15,116	943	(1,396)	(660)
(Increase)/Decrease in prepayment and other receivables	(4,462)	(3,359)	(21,746)	(26,812)	(2,301)
Increase/(Decrease) in account payables	(12,426)	3,179	(3,638)	(150)	1,115
Increase/(Decrease) in accruals	(180)	(173)	731	391	243
Increase/(Decrease) in deposit received and other payables	(16,571)	(11,703)	(3,655)	(17,954)	(13,865)
Cash generated from operating activities	18,970	80,257	18,126	1,018	3,528
Tax paid	(166)	–	(23,569)	–	(25,879)
Interest paid	(453)	–	(1,077)	(576)	(349)
Net cash generated from/(used in) operating activities	18,351	80,257	(6,520)	442	(22,700)
Cash flow from investing activities					
Proceed from sales of investment	–	2,211	–	–	–
Proceed from sales of property, plant and equipment	–	339	8,791	–	8,791
Purchases of property, plant and equipment	–	(14,034)	(668)	(121)	(668)
Acquisition of subsidiary	–	–	(10,000)	–	(10,000)
Net cash used in investing activities	–	(11,484)	(1,877)	(121)	(1,877)

	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash flow from financing activities					
Proceeds from capital contribution	–	2,730	57,270	–	57,270
Proceeds from secured bank loans	13,000	–	30,150	–	30,150
Payment of secured bank loans	–	(13,000)	(10,000)	–	(10,000)
Dividend paid	(14,729)	(57,000)	(95,132)	(32,383)	(64,247)
Net cash (used in)/generated from financing activities	(1,729)	(67,270)	(17,712)	(32,383)	13,173
Net increase/(decrease) in cash and cash equivalents	16,622	1,503	(26,109)	(32,062)	(11,404)
Cash and cash equivalent at beginning of year/period	55,486	72,108	73,611	47,502	73,611
Cash and cash equivalent at end of year/period	72,108	73,611	47,502	15,440	62,207

B. NOTES TO FINANCIAL INFORMATION

1. Corporate information

An-xin was established in the PRC on 25 December 1997 with limited liability. The registered office of An-xin was located at 中國深圳市南山區南山大道南油第三工業區302樓2層210-216室. The businesses of An-xin include mainly (i) the production of system software and application software; (ii) provision of system solutions according to the client's needs; and (iii) the provision of long term agency operation and maintenance services on system solutions. The principal activities of its subsidiaries are set out in Note 20.

2. Basic of preparation

The Consolidated Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("INT") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements set out by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The Consolidated Financial Information has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Consolidated Financial Information of An-xin is presented in Renminbi, which is the same as the functional currency of An-xin.

3. Significant accounting policies

An-xin has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of An-xin anticipate that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of An-xin.

HKFRSs (Amendments)	Improvements to HKFRS5 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 39 (Amendment)	Eligible Hedged Items [3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 3 (Revised)	Business Combinations [3]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Embedded Derivatives [4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers [5]

1. *Effective for annual periods beginning on or after 1 July 2009*
2. *Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified*
3. *Effective for annual periods beginning on or after 1 July 2009*
4. *Effective for annual periods ending on or after 30 June 2009*
5. *Effective from 1 July 2009*

4. Significant accounting policies

(a) Consolidation

The consolidated financial statements incorporate the financial statements of An-xin and entities (including special purpose entities) controlled by An-xin. Control is achieved where An-xin has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of An-xin.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by An-xin in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement for the year ended in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method over their estimated useful life. The principal annual rates are as follows:

Land and Building	4.75% per annum
Plant and machinery	9.5% per annum
Motor vehicles	19% per annum
Office equipment	19% per annum

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(c) Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost comprises all direct and indirect cost of construction. Construction in progress is transferred to property, plant and equipment and depreciation commences when construction is completed and the assets is put into use.

(d) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

(e) Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when An-xin becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

An-xin's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amount due from a director) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by An-xin are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. An-xin's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including amount due to a director) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by An-xin are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and An-xin has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If An-xin retains substantially all the risks and rewards of ownership of a transferred financial asset, An-xin continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Account and other receivables

Account and other receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of Account and other receivables is established when there is objective evidence that An-xin will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at effective interest rate. The amount of provision is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first out method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling price.

(i) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to An-xin and when the revenue can be measured reliably, on the following bases:

(i) Sales of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;

(ii) Services income received from provision on safety services is recognised when services were rendered.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. An-xin's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Retirement benefit costs

An-xin was established in the PRC and participates in defined contribution retirement plans managed by the local municipal government in the locations in which is operated. The relevant authorities of the local municipal government in the PRC undertake the retirement obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to the income statement as and when incurred.

(l) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, An-xin reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

(m) Provision

A provision is recognised when An-xin has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(n) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of An-xin. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of An-xin. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Related parties

For the purposes of these financial statements, parties are considered to be related to An-xin if An-xin has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where An-xin and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of An-xin where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of An-xin or of any entity that is a related party of An-xin.

5. Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expects that are believed to be reasonable under the circumstances.

An-xin makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of asset

An-xin tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(a) Impairment of account receivables

When there is objective evidence of impairment loss, An-xin takes into consideration the estimate of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Useful live of property, plant and equipment

In accordance with HKAS 16, An-xin estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. An-xin also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Income taxes

An-xin is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. An-xin recognises liabilities for anticipated tax audit issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Turnover

	Year ended 31 December 2006 *RMB'000*	Year ended 31 December 2007 *RMB'000*	Year ended 31 December 2008 *RMB'000*	For the six months ended 30 June 2009 *RMB'000*	For the six months ended 30 June 2008 *RMB'000* (Unaudited)
Turnover:					
Production and sales of system software and application software	132,709	178,066	70,384	51,738	30,405
Provision of system solution services	–	–	996	9,931	300
	132,709	178,066	71,380	61,669	30,705
Other income:					
Gain on disposal of property, plant and equipment	–	–	2,688	–	2,688
Sundry income	230	1,653	2,364	2,873	–
	230	1,653	5,052	2,873	2,688
	132,939	179,719	76,432	64,542	33,393

7. Segment information

For management purpose, An-xin is currently organized into two operating divisions, namely production and sales of system software and application software and provision of system solution services. These divisions are the basis on which An-xin reports its primary segment information. Segment information about these divisions is presented below:

Business segment

For the year ended 31 December 2006 (Audited)

Income statement

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
TURNOVER			
Segment turnover	132,709	–	132,709
RESULTS			
Segment results	76,167	–	76,167
Unallocated income			230
Unallocated corporate expenses			(10,207)
Profit before tax			66,190
Taxation			–
Profit for the year			66,190

Balance sheet

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
ASSETS			
Segment assets	57,480	–	57,480
Unallocated corporate assets			85,171
Consolidated total assets			142,651
LIABILITIES			
Segment liabilities	2,392	–	2,392
Unallocated corporate liabilities			61,369
Consolidated total liabilities			63,761

Other information

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
Capital additions	148	–	148
Depreciation and amortisation	1,481	–	1,481
Provision on accounts receivables	1,105	–	1,105

For the year ended 31 December 2007 (Audited)

Income statement

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
TURNOVER			
Segment turnover	178,066	–	178,066
RESULTS			
Segment results	114,310	–	114,310
Unallocated income			1,653
Unallocated corporate expenses			(15,903)
Profit before tax			100,060
Taxation			(7,704)
Profit for the year			92,356

Balance sheet

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	70,685	–	70,685
Unallocated corporate assets			98,502
Consolidated total assets			169,187
LIABILITIES			
Segment liabilities	5,398	–	5,398
Unallocated corporate liabilities			46,813
Consolidated total liabilities			52,211

Other information

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
Capital additions	14,034	–	14,034
Depreciation and amortisation	1,586	–	1,586
Provision on accounts receivables	2,512	–	2,512

For the year ended 31 December 2008 (Audited)

Income statement

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
TURNOVER			
Segment turnover	70,384	996	71,380
RESULTS			
Segment results	57,314	996	58,310
Unallocated income			5,052
Unallocated corporate expenses			(15,642)
Profit before tax			47,720
Taxation			(2,553)
Profit for the year			45,167

Balance sheet

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
ASSETS			
Segment assets	75,702	–	75,702
Unallocated corporate assets			92,270
Consolidated total assets			167,972
LIABILITIES			
Segment liabilities	2,491	–	2,491
Unallocated corporate liabilities			46,200
Consolidated total liabilities			48,691

Other information

	Production and sales of system and application software *RMB'000*	**Provision of system solution services** *RMB'000*	**Total** *RMB'000*
Capital additions	668	–	668
Depreciation and amortisation	3,406	–	3,406
Provision on accounts receivables	3,745	–	3,745

For the six months ended 30 June 2009 (Audited)

Income statement

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
TURNOVER			
Segment turnover	51,738	9,931	61,669
RESULTS			
Segment results	47,136	931	57,067
Unallocated income			2,873
Unallocated corporate expenses			(8,786)
Profit before tax			51,154
Taxation			(7,160)
Profit for the year			43,994

Balance sheet

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	63,426	15,857	79,283
Unallocated corporate assets			89,116
Consolidated total assets			168,399
LIABILITIES			
Segment liabilities	3,623	–	3,623
Unallocated corporate liabilities			33,884
Consolidated total liabilities			37,507

Other information

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
Capital additions	21	–	21
Depreciation and amortisation	1,111	215	1,326
Provision on accounts receivables	11,612	2,903	14,515

For the six months ended 30 June 2008 (Unaudited)

Income statement

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
TURNOVER			
Segment turnover	30,405	300	30,705
RESULTS			
Segment results	11,715	300	21,210
Unallocated income			2,688
Unallocated corporate expenses			(6,795)
Profit before tax			17,103
Taxation			(1,816)
Profit for the year			15,287

Balance sheet

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	72,270	–	72,270
Unallocated corporate assets			81,423
Consolidated total assets			153,693
LIABILITIES			
Segment liabilities	6,756	–	6,756
Unallocated corporate liabilities			29,035
Consolidated total liabilities			35,791

Other information

	Production and sales of system and application software *RMB'000*	Provision of system solution services *RMB'000*	Total *RMB'000*
Capital additions	–	–	–
Depreciation and amortisation	1,578	–	1,578
Provision on accounts receivables	–	–	–

Geographical segments

No geographical segment information has been presented as all An-xin's assets as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009 were located in the PRC.

8. Profit from operations

	Year ended 31 December 2006 *RMB'000* (Audited)	Year ended 31 December 2007 *RMB'000* (Audited)	Year ended 31 December 2008 *RMB'000* (Audited)	For the six months ended 30 June 2009 *RMB'000* (Audited)	For the six months ended 30 June 2008 *RMB'000* (Unaudited)
Profit from operations activities is arrived at after charging:					
Auditor's remuneration	25	25	350	270	–
Depreciation of plant, property and equipment	981	1,086	2,906	1,076	1,453
Amortisation of intangible assets	500	500	500	250	125
Provision on bad and doubtful debts	1,105	2,512	3,745	14,515	–
Staff cost (excluding directors' remuneration)					
– Salaries and other benefits	1,149	2,016	3,186	1,753	1,470
– Contributions to retirement benefits schemes	43	189	169	114	92

9. Finance costs

	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Interest on secured bank loan wholly repayable within five years	453	–	1,077	576	349

10. Taxation

	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
PRC Enterprise Income Tax					
Current tax	–	7,984	4,395	7,287	1,816
Deferred tax	–	(280)	(1,842)	(127)	–
	–	7,704	2,553	7,160	1,816

The income tax expenses for the period/year can be reconciled to the profit before tax as follows:

	Year ended 31 December 2006 *RMB'000*	Year ended 31 December 2007 *RMB'000*	Year ended 31 December 2008 *RMB'000*	For the six months ended 30 June 2009 *RMB'000*	For the six months ended 30 June 2008 *RMB'000* (Unaudited)
Profit before tax	66,190	100,060	47,720	51,174	17,103
Tax at PRC EIT rate of 15% for 2006 and 2007 and 25% for 2008 and 2009	9,929	15,009	11,930	12,793	4,276
Tax effect of expenses not deductible for tax purpose	–	–	1,396	–	–
Tax effect of income not Taxable for tax purpose	–	(984)	(391)	–	–
Effect of tax benefit on corporation in special economic region	(9,929)	(6,041)	(10,382)	(5,506)	(2,460)
	–	7,984	2,553	7,280	1,816

According to the "Guangdong Province Special Economic Region Rule", An-xin was subject to the PRC Enterprise Income Tax of 15% for the years ended 31 December 2006 and 2007.

For the year ended 31 December 2008 and the six months period ended 30 June 2009, An-xin was subject to the PRC Enterprise Income Tax of 25%.

Pursuant to the results of a special examination performed by Shenzhen Shekou Tax Bureau, the operations of An-xin were classified as a production enterprise as defined in the classification set out by Shenzhen Shekou Tax Bureau, as such An-xin is eligible for the following tax preference policy:

(i) For the first and second annual taxable year, An-xin was not subject to the PRC Enterprise Income Tax (i.e. for the years ended 31 December 2005 and 2006); and

(ii) For the third to fifth annual taxable year, An-xin shall be levied at half of the PRC Enterprise Income Tax (i.e. for the years ended 31 December 2007, 2008 and 2009).

11. Directors' emoluments

The emoluments paid or payable to the director were as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2006 (Audited)				
– 陳　洪	156	–	–	156
– 肖　華	120	–	–	120
– 陳　潔	120	–	–	120
– 沈　平	120	–	–	120
– 張　浩 *(Note (i))*	79	–	–	79
	595	–	–	595
For the year ended 31 December 2007 (Audited)				
– 陳　洪	156	–	–	156
– 肖　華	120	–	–	120
– 陳　潔	120	–	–	120
– 沈　平	120	–	–	120
– 張　浩 *(Note (i))*	79	–	–	79
	595	–	–	595

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended				
31 December 2008 (Audited)				
– 陳　洪	156	–	–	156
– 彭秋英 *(Note (ii))*	–	–	–	–
– 徐曉蘭 *(Note (iii))*	–	–	–	–
– 孫　翔 *(Note (iv))*	–	–	–	–
– 洪　嶸 *(Note (v))*	–	–	–	–
– 唐義書 *(Note (vi))*	–	–	–	–
– 肖　華	120	–	–	120
– 陳　潔	120	–	–	120
– 沈　平	120	–	–	120
	516	–	–	516
For the six months ended				
30 June 2009 (Audited)				
– 陳　洪	78	–	–	78
– 彭秋英 *(Note (ii))*	–	–	–	–
– 徐曉蘭 *(Note (iii))*	–	–	–	–
– 孫　翔 *(Note (iv))*	–	–	–	–
– 洪　嶸 *(Note (v))*	–	–	–	–
– 唐義書 *(Note (vi))*	–	–	–	–
– 胡佩蘭 *(Note (vii))*	–	–	–	–
– 肖　華	60	–	–	60
– 陳　潔	60	–	–	60
– 沈　平	60	–	–	60
	258	–	–	258

	Fees	Salaries and other benefits	Contribution to retirement benefits schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2008 (Unaudited)				
– 陳　洪	78	–	–	78
– 彭秋英 *(Note (ii))*	–	–	–	–
– 徐曉蘭 *(Note (iii))*	–	–	–	–
– 孫　翔 *(Note (iv))*	–	–	–	–
– 洪　嶸 *(Note (v))*	–	–	–	–
– 唐義書 *(Note (vi))*	–	–	–	–
– 肖　華	60	–	–	60
– 陳　潔	60	–	–	60
– 沈　平	60	–	–	60
	258	–	–	258

There were no arrangements under which a director of An-xin waived or agreed to waive any remuneration during the Relevant Periods. There were no discretionary bonuses paid to the directors of An-xin during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by An-xin to the directors as an inducement to join or upon joining An-xin or as compensation for loss of office.

Notes:

(i) 張浩 was resigned on 9 January 2008.

(ii) 彭秋英 was appointed on 9 January 2008 and resigned on 9 June 2009.

(iii) 徐曉蘭 was appointed on 9 January 2008 and resigned on 9 June 2009.

(iv) 孫翔 was appointed on 9 January 2008 and resigned on 9 June 2009.

(v) 洪嶸 was appointed on 9 January 2008 and resigned on 9 June 2009.

(vi) 唐義書 was appointed on 9 January 2008 and resigned on 9 June 2009.

(vii) 胡佩蘭 was appointed on 9 June 2009.

12. Employees' emoluments

Of the five individuals with the highest emoluments in An-xin included 4 directors during the Relevant Periods whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining highest paid individuals for the Relevant Periods, which fell within the salary band of Nil – RMB1,000,000, were as follows:

	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Salaries and other benefits	1,149	2,016	3,186	1,753	1,470
Contribution to retirement benefits schemes	43	189	169	114	92
Total emoluments	1,192	2,205	3,355	1,867	1,562

During the Relevant Periods, no emoluments were paid by An-xin to the five highest paid individuals, including directors, as an inducement to join or upon joining An-xin or as compensation for loss of office.

Compensation to key management personnel

The directors of An-xin consider that the director is the only key management personnel of An-xin.

13. Retirement benefit schemes

The employees employed in An-xin are members of the state-managed retirement benefits schemes operated by the PRC government. An-xin are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of An-xin with respect to the retirement benefits schemes is to make the required contributions under the schemes.

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, there were no forfeited contributions available for An-xin to offset contributions payable in future years.

14. Earning per share

Earning per share has not been presented as such information is not considered meaningful for the purpose of this report.

15. Profit attributable to equity holders of An-xin

The profit for the year ended 31 December 2006, 31 December 2007, 31 December 2008 and for the six months ended 30 June 2009 of RMB66,190,000, RMB92,356,000, RMB45,167,000 and RMB43,994,000 has been dealt with in the financial statements of An-xin.

16. Dividends

	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Interim dividend paid/ payable	14,729	57,000	95,132	39,186	–
Final dividend paid/ payable	8,291	33,083	–	–	–
	23,020	90,083	95,132	39,186	–

17. Property, plant and equipment

The Group

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicle *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
At cost:					
As at 1 January 2006	11,156	–	1,800	733	13,689
Additions	–	48	–	100	148
As at 31 December 2006 and 1 January 2007	11,156	48	1,800	833	13,837
Additions	–	13,487	414	133	14,034
Disposal	–	(48)	(1,800)	–	(1,848)
As at 31 December 2007 and 1 January 2008	11,156	13,487	414	966	26,023
Additions	–	–	503	165	668
Disposal	(8,660)	–	–	–	(8,660)
As at 31 December 2008 and at 1 January 2009	2,496	13,487	917	1,131	18,031
Additions	–	–	–	21	21
As at 30 June 2009	2,496	13,487	917	1,152	18,052
Accumulated depreciation:					
As at 1 January 2006	689	–	847	126	1,662
Charge for the year	493	–	342	146	981
As at 31 December 2006 and 1 January 2007	1,182	–	1,189	272	2,643
Charge for the year	509	106	307	164	1,086
Written back on disposal	–	–	(1,461)	–	(1,461)
As at 31 December 2007 and 1 January 2008	1,691	106	35	436	2,268
Charge for the year	1,321	1,280	106	199	2,906
Written back on disposal	(2,557)	–	–	–	(2,557)
As at 31 December 2008, and 1 January 2009	455	1,386	141	635	2,617
Charge for the year	275	638	90	73	1,076
As at 30 June 2009	730	2,024	231	708	3,693
Net book value:					
At 30 June 2009	1,766	11,463	686	444	14,359
At 31 December 2008	2,041	12,101	776	496	15,414
At 31 December 2007	9,465	13,381	379	530	23,755
At 31 December 2006	9,974	48	611	561	11,194

As at 31 December 2006, 31 December 2008 and 30 June 2009, An-xin has pledged its building with net book value of approximately RMB9,974,000, RMB2,041,000 and RMB1,766,000 respectively to an independent third party, of which the independent third party provided a corporate guaranteed as security of the bank loan as disclosed in Note 28.

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicle RMB'000	Office equipment RMB'000	Total RMB'000
At cost:					
As at 1 January 2006	11,156	–	1,800	733	13,689
Additions	–	48	–	100	148
As at 31 December 2006 and 1 January 2007	11,156	48	1,800	833	13,837
Additions	–	13,487	414	133	14,034
Disposal	–	(48)	(1,800)	–	(1,848)
As at 31 December 2007 and 1 January 2008	11,156	13,487	414	966	26,023
Additions	–	–	503	165	668
Disposal	(8,660)	–	–	–	(8,660)
As at 31 December 2008 and at 1 January 2009	2,496	13,487	917	1,131	18,031
Additions	–	–	–	21	21
As at 30 June 2009	2,496	13,487	917	1,152	18,052
Accumulated depreciation:					
As at 1 January 2006	689	–	847	126	1,662
Charge for the year	493	–	342	146	981
As at 31 December 2006 and 1 January 2007	1,182	–	1,189	272	2,643
Charge for the year	509	106	307	164	1,086
Written back on disposal	–	–	(1,461)	–	(1,461)
As at 31 December 2007 and 1 January 2008	1,691	106	35	436	2,268
Charge for the year	1,321	1,280	106	199	2,906
Written back on disposal	(2,557)	–	–	–	(2,557)
As at 31 December 2008, and 1 January 2009	455	1,386	141	635	2,617
Charge for the year	275	638	90	73	1,076
As at 30 June 2009	730	2,024	231	708	3,693
Net book value:					
At 30 June 2009	1,766	11,463	686	444	14,359
At 31 December 2008	2,041	12,101	776	496	15,414
At 31 December 2007	9,465	13,381	379	530	23,755
At 31 December 2006	9,974	48	611	561	11,194

18. Construction in progress

The Group and the Company

	RMB'000
At cost:	
At 1 January 2006, 31 December 2006 and 1 January 2007	–
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009	–
Additions	100
At 30 June 2009	100

19. Intangible assets

The Group and the Company

	RMB'000
At cost:	
As at 1 January 2006, 31 December 2006, 1 January 2007, 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009, and 30 June 2009	5,000
Accumulated amortisation:	
As at 1 January 2006	333
Charge for the year	500
As at 31 December 2006 and 1 January 2007	833
Charge for the year	500
As at 31 December 2007 and 1 January 2008	1,333
Charge for the year	500
As at 31 December 2008 and 1 January 2009	1,833
Charge for the period	250
As at 30 June 2009	2,083

	RMB'000
Net book value:	
At 30 June 2009	2,917
At 31 December 2008	3,167
At 31 December 2007	3,667
At 31 December 2006	4,167

20. Investment in subsidiaries

The Company

	As at 31 December 2006 *RMB'000* (Audited)	**As at 31 December 2007** *RMB'000* (Audited)	**As at 31 December 2008** *RMB'000* (Audited)	**As at 30 June 2009** *RMB'000* (Audited)	**As at 30 June 2008** *RMB'000* (Unaudited)
Unlisted shares, at cost	–	–	10,000	10,000	10,000
	–	–	10,000	10,000	10,000
Less: Impairment losses	–	–	–	5,000	–
	–	–	10,000	5,000	10,000

During the Relevant Periods, the Company assessed the carrying amount of its investments in subsidiaries in light of the recurring operating loss of the subsidiaries. An-xin determined that it is necessary to reduce the carrying amount to the estimated net asset value of its subsidiaries. Accordingly, impairment loss of RMB5,000,000 was recognised as at 30 June 2009.

Particulars of the principal subsidiaries as at Relevant Periods were as follows:

Name of subsidiary	Place of establishment and operation	Nominal value of paid up registered capital	Percentage of equity attributable to An-xin held	Principal activities
Shenzhen Anke Anke Safety Production Information Services Co., Limited	The People's Republic of China	Registered Capital RMB5,000,000	100% (Direct)	Development on enterprise safety technology Provision of consultancy services for enterprise safety technology
Dongguan An-xin Digital Technology Co., Limited	The People's Republic of China	Registered Capital RMB5,000,000	100% (Direct)	Inactive

21. Account receivables

The Group

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
0 – 90 days	22,090	47,946	38,752	47,804	36,493
91 – 180 days	–	–	17,138	12,165	8,975
181 days – 365 days	–	–	–	14,843	–
Over 1 year	–	–	–	–	–
	22,090	47,946	55,890	74,812	45,468
Less: Provision for bad and doubtful debts	(1,105)	2,512	3,745	(14,516)	–
	20,985	45,434	52,145	60,296	45,468

The Company

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009	As at 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
0 – 90 days	22,090	47,946	38,752	47,804	36,493
91 – 180 days	–	–	17,138	12,165	8,975
181 days – 365 days	–	–	–	14,843	–
Over 1 year	–	–	–	–	–
	22,090	47,946	55,890	74,812	45,468
Less: Provision for bad and doubtful debts	(1,105)	(2,512)	(3,745)	(14,516)	–
	20,985	45,434	52,145	60,296	45,468

22. Inventories

The Group and the Company

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009	As at 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Raw materials	–	38	489	1,022	103
Work in progress	–	–	364	580	177
Finished goods	22,304	7,149	5,391	3,249	7,567
Consumables	2	3	3	–	3
	22,306	7,190	6,247	4,851	7,850

23. Prepayment and other receivables

The Group

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Prepayment	6,376	12,355	30,112	41,053	10,158
Other receivables	5,515	2,895	11,263	27,134	7,393
	11,891	15,250	41,375	68,187	17,551

The Company

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Prepayment	6,376	12,355	24,606	41,044	10,158
Other receivables	5,515	2,895	11,263	20,741	7,393
	11,891	15,250	35,869	61,785	17,551

24. Account payables

The Group

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
0 – 90 days	1,490	4,669	1,031	881	5,784
91 – 180 days	–	–	–	–	–
181 – 365 days	–	–	–	–	–
Over 1 year	–	–	–	–	–
	1,490	4,669	1,031	881	5,784

The Company

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
0 – 90 days	1,490	4,669	1,031	881	5,784
91 – 180 days	–	–	–	–	–
181 – 365 days	–	–	–	–	–
Over 1 year	–	–	–	–	–
	1,490	4,669	1,031	881	5,784

25. Deposit received and other payable

The Group

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Deposit received	19,779	482	4,076	334	668
Other payables	14,758	22,018	14,769	557	7,967
	34,537	22,500	18,845	891	8,635

The Company

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Deposit received	19,779	482	4,076	334	668
Other payables	14,758	22,018	18,599	5,844	17,967
	34,537	22,500	22,675	6,178	18,635

26. Paid up capital

The Company

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
At 1 January	20,000	20,000	22,730	75,000	75,000
Increase in paid up capital	–	2,730	52,270	–	–
At 31 December/30 June	20,000	22,730	75,000	75,000	75,000

On 23 November 2007, the paid up capital of the Company was increased from RMB20,000,000 to RMB22,730,000.

On 9 January 2008, the paid up capital of the Company was increased from RMB22,730,000 to RMB75,000,000.

27. Reserves

The Group

	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Proposed dividends *RMB'000*	Total equity *RMB'000*
At 1 January 2006	1,114	6,315	–	7,429
Profit for the year	–	66,190	–	66,190
Transfer to statutory reserve	6,619	(6,619)	–	–
Interim Dividend paid	–	(14,729)	–	(14,729)
Proposed final 2006 Dividend	–	(8,291)	8,291	–
At 31 December 2006 and at 1 January 2007	7,733	42,866	8,291	58,890
Profit for the year	–	92,356	–	92,356
Transfer to statutory reserve	9,229	(9,229)	–	–
Interim dividend paid	–	(57,000)	–	(57,000)
Proposed final 2007 dividend	–	(33,083)	33,083	–
At 31 December 2007 and at 1 January 2008	16,962	35,910	41,374	94,246
Profit for the year	–	45,167	–	45,167
Transfer to statutory reserve	(13,411)	13,411	–	–
Final dividend paid	–	(95,132)	–	(95,132)
At 31 December 2008 and at 1 January 2009	3,551	(644)	41,374	44,281
Profit for the period	–	43,994	–	43,994
Transfer to statutory reserve	4,164	(4,164)	–	–
2006 and 2007 final dividend paid	–	–	(32,383)	(32,383)
Proposed interim dividend	–	(39,186)	39,186	–
At 30 June 2009	7,715	–	48,177	55,892

The Company

	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Proposed dividends *RMB'000*	Total equity *RMB'000*
At 1 January 2006	1,114	6,315	–	7,429
Profit for the year	–	66,190	–	66,190
Transfer to statutory reserve	6,619	(6,619)	–	–
Interim dividend paid	–	(14,729)	–	(14,729)
Proposed final 2006 dividend	–	(8,291)	8,291	–
At 31 December 2006 and at 1 January 2007	7,733	42,866	8,291	58,890
Profit for the year	–	92,356	–	92,356
Transfer to statutory reserve	9,229	(9,229)	–	–
Interim dividend paid	–	(57,000)	–	(57,000)
Proposed final 2007 dividend	–	(33,083)	33,083	–
At 31 December 2007 and at 1 January 2008	16,962	35,910	41,374	94,246
Profit for the year	–	45,693	–	45,693
Transfer to statutory reserve	(13,411)	13,411	–	–
Final dividend paid	–	(95,014)	–	(95,014)
At 31 December 2008 and at 1 January 2009	3,551	–	41,374	44,925
Profit for the period	–	39,259	–	39,259
Transfer to statutory reserve	4,164	(4,164)	–	–
2006 and 2007 final dividend paid	–	–	(33,292)	(33,292)
Proposed interim 2009 dividend	–	(35,095)	35,095	–
At 30 June 2009	7,715	–	43,177	50,892

PRC statutory reserves

In accordance with Rules for the Implementation of the Law of the PRC An-xin is required to transfer at least 10 per cent. of its profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP") to the general reserve until the balance of the general reserve is equal to 50 per cent. of its registered capital. Moreover, it is required to transfer a certain percentage of its profit after taxation, as determined under PRC GAAP, to the enterprise expansion fund. During the Relevant Periods, appropriations were made to the general reserve and the enterprise expansion fund each at 10 percent of their profit after taxation determined under PRC GAAP.

The general reserve can be used to reduce previous years' losses while the enterprise expansion fund can be used to increase the capital of An-xin, to acquire property, plant and equipment and to increase current assets.

Statutory surplus reserve can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the balance after such conversion is not less than 25 per cent of the registered capital of An-xin.

28. Secured bank loans

The Group and the Company

	As at 31 December 2006	**As at 31 December 2007**	**As at 31 December 2008**	**As at 30 June 2009**	**As at 30 June 2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
Within one year	13,000	–	–	20,000	–
More than one year	–	–	20,000	–	20,000
	13,000	–	20,000	20,000	20,000

At as 31 December 2006, 31 December 2008 and 30 June 2009, secured bank loan is RMB13,000,000, RMB20,000,000 and RMB20,000,000 respectively and were committed on fixed rate basis at 6.34%, 7.56% and 7.56% per annum respectively. The loan are secured by corporate guarantees from independent third party as disclosed in Note 33.

29. Deferred taxation

The Group and the Company

The following are major deferred tax assets recognised in the consolidated balance sheet and the movements during the year as follows:

	Provision for bad debt
	RMB'000
At 1 January 2006, 31 December 2006, and 1 January 2007	–
Credit to profit or loss	280
At 31 December 2007 and 1 January 2008	280
Credit to profit or loss	1,842
At 31 December 2008 and 1 January 2009	2,122
Credit to profit or loss	127
At 30 June 2009	2,249

30. Capital commitments

An-xin did not have any capital commitments for the Relevant Periods.

31. Capital risk management

An-xin manages its capital to ensure that An-xin will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of An-xin consists of equity attributable to equity holders of An-xin, comprising paid up capital, statutory reserve and retained profits. In order to maintain or adjust the capital structure, An-xin may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

32. Financial instruments

Financial assets by category

The carrying amount of An-xin's financial assets by category of financial instruments included in the balance sheet and the headings in which they are included are as follows:

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Loans and receivables					
Account receivables	20,985	45,434	52,145	60,296	45,468
Prepayments and other receivables	11,891	15,250	41,375	68,187	17,551
Cash and bank balances	72,108	73,611	47,502	15,440	62,207
	104,984	134,295	141,022	143,923	125,226

Financial liabilities by category

The carrying amount of An-xin's financial liabilities by category of financial instruments included in the balance sheet and the headings in which they are included are as follows:

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Financial liabilities measured at amortised cost					
Account payables	1,490	4,669	1,031	881	5,784
Accruals	902	729	1,460	1,851	972
Deposit received and other payables	34,537	22,500	18,845	891	8,635
Current portion of secured bank loan	13,000	–	–	20,000	–
Tax payables	13,582	24,063	6,955	13,484	–
	63,511	51,961	28,291	37,107	15,391

Fair value of financial instruments

The directors of An-xin consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Information approximate their fair values.

33. Financial risk management

An-xin's major financial instruments include trade receivables, prepayment and other receivables, cash and bank balances, trade payables, accruals and other payables and secured bank loan. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The business transactions of An-xin conducted during the year were mainly denominated and settled in Renminbi. Therefore, no exposure in exchange rate risks and therefore no sensitivity analysis has been presented. An-xin currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

(ii) Interest rate risk

An-xin's fair value interest rate risk relates primarily to floating-rate borrowing from a financial institution as disclosed in Note 28. It is An-xin's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk.

An-xin's interest rate risk mainly related to interest-bearing borrowings which include bank borrowings. The interest rate and terms of repayment have been disclosed in Note 28 to the financial statements.

An-xin's interest rate risk which affects its income and operating cash flows mainly arises from bank borrowings as at 30 June 2009 and 31 December 2008, at rate of 7.56%.

If interest rates had been 5% higher/lower and all other variables were held constant, An-xin's profit after tax and retained profits for the period ended 30 June 2009 would decrease/increase by RMB206,045 (2008: decrease/ increase by RMB225,835). This is mainly attributable to An-xin's exposure to interest rates on its variable rate borrowings.

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date and the reasonable possible changes in the interest rates in next months, the assumption that other variable are held constant.

(b) Credit risk

An-xin's principal financial assets include account and other receivables, and bank balances and cash. An-xin's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 30 June 2009, 31 December, 2008, 2007 and 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the Financial Information.

In addition, An-xin reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of An-xin consider that An-xin credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are of acceptable credit quality.

An-xin's exposure to credit risk other than trade receivables is summarised as follows:

	As at 31 December 2006 *RMB'000* (Audited)	As at 31 December 2007 *RMB'000* (Audited)	As at 31 December 2008 *RMB'000* (Audited)	As at 30 June 2009 *RMB'000* (Audited)	As at 30 June 2008 *RMB'000* (Unaudited)
Account receivables	20,985	45,434	52,145	60,296	45,468
Prepayments and other receivables	11,891	15,250	41,375	68,187	17,551
Cash and bank balances	72,108	73,611	47,502	15,440	62,707
	104,984	134,295	141,022	143,923	127,726

(c) Liquidity risk

An-xin's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. An-xin has net current assets of approximately RMB111,667,000, RMB118,978,000, RMB89,524,000 and RMB63,779,000 as at 30 June 2009, 31 December 2008, 31 December 2007 and 31 December 2006 respectively, and has net assets of RMB130,892,000, RMB119,281,000, RMB116,976,000 and RMB78,890,000 as at 30 June 2009, 31 December 2008, 31 December 2007, and 31 December 2006 respectively. In the opinion of directors, An-xin's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the balance sheet dates of An-xin's non-derivative financial liabilities, which are based on contractual undiscounted cash flow (including interest payment computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date An-xin may be required to pay:

As at 31 December 2006 (Audited)

	Weighted average effective interest rate	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial assets						
Account receivables	–	20,985	–	–	–	20,985
Prepayment and other receivables	–	11,891	–	–	–	11,891
Cash and bank balance	–	72,108	–	–	–	72,108
		104,984	–	–	–	104,984
Non-derivative financial liabilities						
Account payables	–	1,490	–	–	–	1,490
Accruals	–	902	–	–	–	902
Deposit received and other payables	–	34,537	–	–	–	34,537
Secured bank loans	–	–	13,000	–	–	13,000
Long-term payables	–	–	–	250	–	250
		36,929	13,000	250	–	50,179

As at 31 December 2007 (Audited)

	Weighted average effective interest rate	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial assets						
Account receivables	–	45,434	–	–	–	45,434
Prepayment and other receivables	–	15,250	–	–	–	15,250
Cash and bank balance	–	73,611	–	–	–	73,611
		134,295	–	–	–	134,295
Non-derivative financial liabilities						
Account payables	–	4,669	–	–	–	4,669
Accruals	–	729	–	–	–	729
Deposit received and other payables	–	22,500	–	–	–	22,500
Long-term payables	–	–	–	250	–	250
		27,898	–	250	–	28,148

As at 31 December 2008 (Audited)

	Weighted average effective interest rate	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial assets						
Account receivables	–	35,007	–	17,138	–	52,145
Prepayment and other receivables	–	41,375	–	–	–	41,375
Cash and bank balance	–	47,502	–	–	–	47,502
		123,884	–	17,138	–	141,022
Non-derivative financial liabilities						
Account payables	–	1,031	–	–	–	1,031
Accruals	–	1,460	–	–	–	1,460
Deposit received and other payables	–	18,845	–	–	–	18,845
Secured bank loans	–	–	–	20,000	–	20,000
Long-term payables	–	–	–	400	–	400
		21,336	–	20,400	–	41,736

As at 30 June 2009 (Audited)

	Weighted average effective interest rate	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial assets						
Account receivables	–	39,095	21,201	–	–	60,296
Prepayment and other receivables	–	68,187	–	–	–	68,187
Cash and bank balance	–	15,440	–	–	–	15,440
		122,722	21,201	–	–	143,923
Non-derivative financial liabilities						
Account payables	–	881	–	–	–	881
Accruals	–	1,851	–	–	–	1,851
Deposit received and other payables	–	891	–	–	–	891
Secured bank loans	–	–	20,000	–	–	20,000
Long-term payables	–	–	–	400	–	400
		3,623	20,000	400	–	24,023

As at 30 June 2008 (Unaudited)

	Weighted average effective interest rate	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial assets						
Account receivables	–	36,493	8,975	–	–	45,468
Prepayment and other receivables	–	17,551	–	–	–	17,551
Cash and bank balance	–	62,207	–	–	–	62,207
		116,251	8,975	–	–	125,226
Non-derivative financial liabilities						
Account payables	–	5,784	–	–	–	5,784
Accruals	–	972	–	–	–	972
Deposit received and other payables	–	8,635	–	–	–	8,635
Secured bank loans	–	–	–	20,000	–	20,000
Long-term payables	–	–	–	400	–	400
		15,391	–	20,400	–	35,791

(c) Other pricing risk

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, An-xin does not have any investment in listed equity securities and not subject to equity price risk. Therefore, no sensitivity analysis on the foreign currency risk is presented.

34. Pledge of assets

As at 31 December 2006, 31 December 2008 and 30 June 2009, An-xin has pledged its building with net book value of approximately RMB9,974,000, RMB2,041,000 and RMB1,766,000 respectively to independent third party, of which the independent third party provided a corporate guarantee as security of the bank loan.

35. Related parties transactions

For the year ended 31 December 2008, An-xin has disposed of its building with carrying amount of approximately RMB6,103,000 to a related company.

C. SUBSEQUENT EVENTS

On 17 September 2009, Dongguan An-xin Digital Technology Co., Limited, being a subsidiary of An-xin has been deregistered.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of An-xin have been prepared in respect of any period subsequent to 30 June 2009.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
YIP KAI YIN
Practising Certificate Number: P05131

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (hereinafter collectively referred to as the "Pro Forma Financial Information") have been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of the Target Company might have affected the financial information of the Group. The Group immediately after the completion of the Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group have been prepared based on (i) audited consolidated income statement and consolidated cashflow statement of the Group for the year ended 31 December 2008 as set out in Appendix I to this circular; (ii) the audited income statement and cashflow statement of the Target Company for the period ended 30 June 2009 as set out in Appendix II to this circular; and (iii) the audited consolidated income statement of An-xin for the year ended 31 December 2008 as set out in Appendix III to this circular, after incorporating the pro forma adjustments as described in the accompanying notes thereto as if the Acquisition had been completed on 1 January 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group have been prepared based on (i) the audited consolidated balance sheet of the Group as 31 December 2008 set out in Appendix I to this circular; (ii) the audited balance sheet of the Target Company as at 30 June 2009 as set out in Appendix II to this circular; and (iii) the audited consolidated balance sheets of An-xin as at 31 December 2008 as set out in Appendix III to this circular, after incorporating the pro forma adjustments as described in the accompanying notes thereto as if the Acquisition been completed on 31 December 2008.

The Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flows of the Enlarged Group had the Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

The Pro Forma Financial Information should be read in conjunction with (i) financial information of the Group as set up in Appendix I to this circular; and (ii) the financial information of the Target Group (comprising the financial information of the Target Company and An-xin) as set out in Appendices II and III to this circular respectively, and other financial information included elsewhere in this circular. The Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the dates of the respective financial statement of the companies comprising the Enlarged Group included in the Pro forma Financial Information.

PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

		Target Group					
	The Group as at 31 December 2008 *HK$'000*	**The Target Company as at 30 June 2009** *HK$'000*	**An-xin as at 31 December 2008** *RMB'000*	**An-xin as at 31 December 2008** *HK$'000* *(Note 5)*	**Pro forma adjustments** *HK$'000*	*Notes*	**Pro forma Enlarged Group as at 31 December 2008** *HK$'000*
ASSETS							
Non-current assets							
Property, plant and equipment	569,903	–	15,414	17,427			587,330
Construction in progress	–	–	–	–			–
Prepaid lease payment	2,294	–	–	–			2,294
Prepayment	17,100	–	–	–			17,100
Intangible assets	91,904	–	3,167	3,580			95,484
Deferred tax assets	–	–	2,122	2,399			2,399
Goodwill	–	–	–	–	1,165,143	*1(a)*	1,165,143
Investment in subsidiary	–	1	–	–			1
	681,201	1	20,703	23,406			1,869,751
Current assets							
Inventories	60,113	–	6,247	7,063			67,176
Trade and other receivables	6,175	–	93,520	105,732			111,907
Tax Recoverable	1,660	–	–	–			1,660
Cash and cash equivalents	3,314	–	47,502	53,705	(35,000)	*1(b)*	22,019
	71,262	–	147,269	166,500			202,762
Total assets	752,463	1	167,972	189,906			2,072,513
LIABILITIES							
Current liabilities							
Trade and other payable	57,422	–	21,336	24,122			81,544
Current portion of secured bank loans	–	–	–	–			–
Tax payables	–	–	6,955	7,863			7,863
	57,422	–	28,291	31,985			89,407
Non-current liabilities							
Other payables	42,541	–	400	452			42,993
Secured bank loan	–	–	20,000	22,612			22,612
Convertible Notes	–	–	–	–	964,701	*1(d)*	964,701
	42,541	–	20,400	23,064			1,030,306
Total liabilities	99,963	–	48,691	55,049			1,119,713
Net assets	**652,500**	**1**	**119,281**	**134,857**			**952,800**

		Target Group					
	The Group as at 31 December 2008	**The Target Company as at 30 June 2009**	**An-xin as at 31 December 2008**	**An-xin as at 31 December 2008**	**Pro forma adjustments**	*Notes*	**Pro forma Enlarged Group as at 31 December 2008**
	HK$'000	*HK$'000*	*RMB'000*	*HK$'000* *(Note 5)*	*HK$'000*		*HK$'000*
Capital and reserves							
Share capital	46,390	1	75,000	84,794	13,100	*1(c)*	59,490
					(84,795)	*2*	
Share premium	77,994	–	–	–	72,050	*1(c)*	150,044
Reserves	528,116	–	44,281	50,063	215,150	*1(d)*	743,266
					(50,063)	*2*	
Total equity	652,500	1	119,281	134,857			952,800

PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGE GROUP

		Target Group					
	The Group for the year ended 31 December 2008 *HK$'000*	**The Target Company for the period ended 30 June 2009** *HK$'000*	**An-xin for the year ended 31 December 2008** *RMB'000*	**An-xin for the year ended 31 December 2008** *HK$'000* *(Note 6)*	**Pro forma adjustment** *HK$'000*	*Notes*	**Pro forma Enlarged Group for the year ended 31 December 2008** *HK$'000*
Revenue	422,321	–	71,380	79,827			502,148
Cost of Sales	(312,307)	–	(13,070)	(14,617)			(326,924)
Gross Profit	110,014	–	58,310	65,210			175,224
Other income	6,310	–	5,052	5,650			11,960
Selling and administrative expenses	(84,257)	–	(14,565)	(16,289)			(100,546)
Profit from operation	32,067	–	48,797	54,571			86,638
Finance cost	–	–	(1,077)	(1,204)	(39,636)	*1(e)*	(40,840)
Profits before tax	32,067	–	47,720	53,367			45,798
Taxation	(8,534)	–	(2,553)	(2,855)			(11,389)
Profit for the year/period	23,533	–	45,167	50,512			34,409

PRO FORMA CONSOLIDATED CASH FLOW OF THE ENLARGE GROUP

		Target Group					
	The Group for the year ended 31 December 2008 *HK$'000*	**The Target Company for the period from 30 June 2009** *HK$'000*	**An-xin for the year ended 31 December 2008** *RMB'000*	**An-xin for the year ended 31 December 2008** *HK$'000* *(Note 6)*	**Pro forma adjustment** *HK$'000*	*Notes*	**Pro forma Enlarged Group for the year ended 31 December 2008** *HK$'000*
Cash flows from operating activities:							
Profit from operations	32,067	–	48,797	54,572			86,639
Adjustments for:							
Interest income	(754)	–	–	–			(754)
Deprecation	27,888	–	2,905	3,249			31,137
Amortisation of prepaid lease payments	109	–	–	–			109
Amortisation of intangible assets	15,530	–	500	559			16,089
Impairment loss on intangible assets	3,248	–	–	–			3,248
Operating profit before working capital changes	78,088	–	52,202	58,380			136,468
Decrease/(Increase) in account and other receivables	95,443	–	(28,457)	(31,825)			63,618
Decrease in prepayment	53,530	–	–	–			53,530
(Increase)/Decrease in inventories	(21,973)	–	943	1,055			(20,918)
Decrease in account payables	(1,280)	–	(3,638)	(4,069)			(5,349)
Increase/(Decrease) in accruals, deposit received and other payables	42,541	–	(2,924)	(3,270)			39,271
Cash generated from operating activities	246,349	–	18,126	20,271			266,620
Tax paid	(15,187)	–	(23,569)	(26,359)			(41,546)
Interest paid	–	–	(1,077)	(1,204)			(1,204)
Net cash generated from/(used in) operating activities	231,162	–	(6,520)	(7,292)			223,870
Cash flow from investing activities							
Cash outflow of acquisition of subsidiaries	–	–	–	–	(35,000)	*1(b)*	(35,000)
Proceed from sales of property, plant and equipment	–	–	8,791	9,831			9,831
Purchases of property, plant and equipment	(337,332)	–	(668)	(747)			(338,079)
Purchase of intangible assets	(27,360)	–	–	–			(27,360)
Cash and cash equivalent of the Target Group acquired	–	–	–	–	82,322	*4*	82,322
Interest received	754	–	–	–			754
Acquisition of subsidiary	–	–	(10,000)	(11,183)			(11,183)
Net cash used in investing activities	(363,938)	–	(1,877)	(2,099)			(318,715)

		Target Group					
	The Group for the year ended 31 December 2008 *HK$'000*	**The Target Company for the period from 30 June 2009** *HK$'000*	**An-xin for the year ended 31 December 2008** *RMB'000*	**An-xin for the year ended 31 December 2008** *HK$'000* *(Note 6)*	**Pro forma adjustment** *HK$'000*	*Notes*	**Pro forma Enlarged Group for the year ended 31 December 2008** *HK$'000*
Cash flow from financing activities							
Proceeds from capital contribution	–	–	57,270	64,048			64,048
Proceeds from secured bank loans	–	–	30,150	33,718			33,718
Payment of secured bank loans	–	–	(10,000)	(11,183)			(11,183)
Dividend paid	–	–	(95,132)	(106,390)			(106,390)
Net cash (used in)/generated from financing activities	–	–	(17,712)	(19,807)			(19,807)
Net increase/(decrease) in cash and cash equivalents	(132,776)	–	(26,109)	(29,198)			(114,652)
Cash and cash equivalent at beginning of year/period	123,827	–	73,611	82,322	(82,322)	4	123,827
Effect of foreign exchange rate changes, net	12,263	–	–	–			12,263
Cash and cash equivalent at end of year/period	3,314	–	47,502	53,124			21,438

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP:

(1) The adjustments reflect the settlements of the consideration for the Acquisition of HK$1,300,000,000 in the following manner:

The consideration for the Acquisition payable by Purchaser to Vendor 1 shall be HK$975,000,000, of which:

- HK$85,150,000 shall be satisfied by procuring the Company to allot and issue the Consideration Shares to Vendor 1 upon Completion; and
- HK$889,850,000 shall be satisfied by procuring the Company to issue Convertible Note to Vendor 1.

The consideration for the Acquisition payable by Purchaser to Vendor 2 shall be HK$325,000,000, of which:

- HK$35,000,000 shall satisfied in cash from internal resources of the Group; and
- HK$290,000,000 shall be satisfied by Company to issue the Convertible Note to Vendor 2 upon completion.

For the purpose of preparation of the unaudited pro forma consolidated balance sheet, it has assumed that the final consideration has been adjusted to HK$1,300,000,000 pursuant to the terms of the Share Transfer Agreement, of which HK$1,179,850,000 was satisfied by the issuance of the Convertible Note, HK$85,150,000 was satisfied by allotment and issuance of 131,000,000 Consideration Shares at the Conversion Price and HK$35,000,000 was satisfied by cash from internal resources of the Group respectively.

(a) Goodwill represents the excess of the consideration for the Acquisition and costs directly attributable to the Acquisition over the fair value of the Group's share of the identifiable net assets of the Target Group. This adjustment will have a continuing effect on the Enlarged Group.

For the purpose of compiling this unaudited pro forma balance sheet, the Conversion Price and the audited net asset value of the Target Group as at 31 December 2008 are assumed to be the fair value of each of the Convertible Notes, Consideration Shares and the identifiable net assets of the Target Group.

Details of goodwill arising from the Acquisition are as follows:

		HK$'000
Consideration settled by cash	*1(b)*	35,000
Consideration settled by Consideration Shares	*1(c)*	85,150
Consideration settled by Convertible Note	*1(d)*	1,179,850
		1,300,000
Less: fair value of net assets acquired		(134,857)
Goodwill		1,165,143

Since the fulfilment of the terms of the profit guarantee is contingent, the actual consideration may be different from HK$1,300,000,000. The consideration will be reassessed at the time frame as specified under the profit guarantee. In case the guaranteed profit specified thereunder is not met, the consideration would need to be reduced by an amount determined according to the provisions set out in the profit guarantee and the goodwill arising from the Acquisition would be accordingly decreased by the same amount.

(b) The total amount to be settled by the Group in cash amounted to HK$35,000,000 which will be satisfied from internal resources of the Group and to be payable upon completion of the Acquisition. The adjustment will not have a continuing effect on the Enlarged Group.

(c) Pursuant to the Share Transfer Agreement, the consideration of approximately HK$85,150,000 will be satisfied by 131,000,000 Consideration Shares at the Conversion price. Upon issuance of the 131,000,000 Consideration Shares, the Company's share capital and share premium account will be increased by HK$13,100,000 and HK$72,050,000 respectively. The adjustment will have a continuing effect on the Enlarged Group.

The basis of calculation for the amount of issued share capital and share premium are set out as follows:

	HK$'000
Share capital (131,000,000 shares at HK$0.10 per share)	13,100
Share premium (131,000,000 shares at HK$0.55 per share)	72,050
	85,150

(d) Pursuant to the Share Transfer Agreement, the Convertible Note with a principal amount of HK$1,179,850,000 (which is the zero coupon bond) will be issued to Vendor 1 and Vendor 2 respectively. The Convertible Note will be matured 5 years from the date of issuance and will be converted at any time in the conversion period from the date of issue of the Convertible Note to and including the maturity date. The conversion price has been set at HK$0.65 per share.

The Convertible Note are compound financial instruments of two elements, liabilities component and equity component. The fair value of the liabilities component of the Convertible Note is estimated by using the discounted cash flow approach at prevailing market rate of approximately 3.94%. The fair value of the equity component of the Convertible Note is represented by the residual amount after taking out the liability component. As such, the fair value of the Convertible Note is split into a debt component of approximately HK$964,701,000 which is recognised in the unaudited pro forma consolidated balance sheet as non-current liabilities, and an equity component of approximately HK$215,150,000 which is recognised in the unaudited pro forma consolidated balance sheet as equity. This adjustment will have a continuing effect on the Enlarged Group.

(e) Assuming the Convertible Note was issued on 1 January 2008, the adjustment of approximately HK$39,636,000 represents the imputed interest to be expensed by the Group for the year ended 31 December 2008.

For the purposed of the preparation of the unaudited pro forma consolidated income statement, the imputed interest expense has been computed on the assumption that the principal amount of the Convertible Note was approximately HK$1,179,850,000, carried an effective interest rate 4.032% per annum and had fixed term of 5 years from the date of issue. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will be vary according to the timing of the conversion and redemption of the whole or any part of the Convertible Note and the applicable effect interest rates.

2. The adjustment represents the elimination of the Target Company and An-xin's share capital of approximately HK$84,795,000 (equivalent to US$100 of the Target Company and RMB75,000,000 of An-xin) and the pre-acquisition reserves of approximately HK$50,063,000 (equivalent to RMB44,281,000) arising from consolidation as if the Acquisition had been completed on 31 December 2008. This adjustment will have a continuing effect on the Enlarged Group.

3. In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations", the Group applied purchase method to account for the acquisition of the Target Group as subsidiaries if the Group has the power, directly or indirectly, to govern the financial and operating policies of the Target Group, so as to obtain benefits from its activities after the completion of the Acquisition. As of the date of this report, the directors of the Company consider that the Group will have control over the Target Group after the completion of the Acquisition.

   In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of the completion of the Acquisition.

On completion of the Acquisition, the fair value of net identifiable assets, liabilities and contingent liabilities of the Target Group, Consideration Shares and Convertible Note will have to be reassessed. As a result of the assessment, the goodwill may be different from that estimated as stated above for the purpose of preparation of the Pro Forma Financial Information. Accordingly, the actual goodwill at the completion date of the Acquisition may be different from that presented above.

4. The adjustment represent the opening balance of cash and cash equivalents of the Target Group acquired of approximately HK$82,322,000 as part of the cash flow effect from the Acquisition under investing activities, as if the Acquisition had been completed at 1 January 2008. The adjustment will not have a continuing effect of the Enlarged Group.

5. For the purpose of the unaudited pro forma consolidated balance sheet, the balances are extracted from the audited financial information of An-xin as at 31 December 2008 as set out in Appendix III to this Circular, which are denominated in RMB, have been translated into Hong Kong dollars at the prevailing exchange rate of RMB1 = HK$0.88450 as at 31 December 2008.

6. For the purpose of the unaudited pro forma consolidated income statement and consolidated cash flow statement, the balances are extracted from the audited financial information of An-xin for the year ended 31 December 2008 as set out in Appendix III to this Circular, which are denominated in RMB, have been translated into Hong Kong dollars at the prevailing average exchange rate of RMB1 = HK$0.89418 during the year ended 31 December 2008.

II. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants
CAREA

Room 511-512, 5/F.,
Lippo Sun Plaza,
28 Canton Road,
Tsimshatsui,
Hong Kong

25 September 2009

The Broad of Directors
Broad Intelligence International Pharmaceutical Holdings Limited
Unit 1903, Allied Kajima Building,
138 Gloucester Road,
Wan Chai,
Hong Kong

We report on the unaudited pro forma financial statement of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Eagle Mascot Limited (the "Target Company"), and Shenzhen Anxin Digital Development Co., Ltd.("An-xin") (together with the Group, hereafter collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (the "Pro Forma Financial Information"), as set out in Appendix IV of the circular dated 25 September 2009 (the "Circular").

The Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in Section A of Appendix IV of the Circular.

Respective Responsibilities of the directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 'Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circular" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2008 or any future date; or
- the results or cash flows of the Enlarged Group for the year ended 31 December 2008 or any future period.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly complied by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
YIP KAI YIN
Practising Certificate Number: P05131

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, in connection with its valuation as at 30 June 2009 of the property interests of the Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROPERTY VALUERS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

25 September 2009

17th Floor
Champion Building
No. 287-291 Des Voeux Road Central
Hong Kong

The Directors
Broad Intelligence International Pharmaceutical Holdings Limited
Room 1903, Allied Kajima Building
138 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Broad Intelligence International Pharmaceutical Holdings Limited (hereinafter referred to as the "Company") to us to value certain designated properties in which the Company and its subsidiaries (hereinafter together with the Company referred to as the "Group") have interests in Hong Kong and in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30 June 2009 (hereinafter referred to as the "Date of Valuation") for the internal reference of the management of the Company.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching his business decision regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuations.

The term "Market Value" is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

There are three generally accepted property valuation approaches to value in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (also referred by some valuers as the Market Approach), the Cost Approach and the Income Approach. Having considered the general and inherent characteristics of the property in Group I, we have adopted the depreciated replacement cost ("DRC") method which is an application of the Cost Approach in valuing specialised properties like the property. The use of this method requires an estimate of the market value of the land use rights of the property being valued for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The market value of the land use rights of the property has been determined from market-based evidences by analysing similar sales or offerings or listings of comparable properties.

The valuation of the property in Group I is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this method, the land should be assumed to have the benefit of planning permission for the replacement of the existing building and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing building and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the date of valuation, the work having commenced at the appropriate time.

Unless otherwise stated, in valuing the property in Group I, we have assumed that:

1. the legally interested party in the property sells the property in the market in its existing state and at its permitted usage without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property;

2. the legally interested party in the property has free and uninterrupted rights to use or assign the property interests for its existing permitted usage for the whole of the unexpired term as granted and any premium payable has already been fully paid; and

3. the property can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to our valuation.

We need to state that our opinion of value of the property in Group I is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various building(s) of the property on piece meal basis in the open market.

Properties in Group II and Group III are rented by the Group in Hong Kong and in the PRC. We have assigned no commercial values due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the property which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the property in Group I (i.e. the Group) has free and uninterrupted rights to assign, to mortgage or to let the property at its existing use (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Company has the right to occupy the property. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities.

For the sake of valuations, we have been provided with copies of the title documents of the property in Group I and copies of tenancy agreement of the properties in Groups II and III. We have conducted title search of the property in Group II in the Land Registry of Hong Kong. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The inherent defects in the land registration system of China forbidden us to inspect the original documents of the property in Group I that filed in the relevant authorities and to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in Group I. We are not in the legal profession and we are unable to ascertain the titles and to report on any encumbrances that may be registered against the property in Group I. However, we have relied solely on the copy of the PRC legal opinion dated 22 September 2009 as provided by the management of the Company with regard to the Group's titles on the property as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, Trend Associates (福建創元律師事務所). No responsibility or liability from our part is assumed.

In our valuation, we have assumed that the legally interested party in the property in Group I (i.e. the Group) has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the property. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, site and floor areas and all other relevant matters.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinion, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars ("HK$"). In valuing the property in Group I, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi Yuan RMB0.88 per HK$1 and no significant fluctuation in exchange rate has been found between that date and the date of this report.

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report are valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS (GP)
Director

Contributing valuer:
Leslie Wong Tak Chiu *BSc BBA*

Note: Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China. She is also a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I Property held and occupied by the Group under long-term title certificate in the PRC and valued on the Market Value basis

	Property	Amount of valuation in existing state as at 30 June 2009	Interest attributable to the Group	Amount of valuation in existing state attributable to the Group as at 30 June 2009
				HK$
1.	A factory complex erected on two parcel of adjoining land and located at Rong Qiao Technical Economic Development District (Hong Lu Town Long Tang Village) Fuqing City Fujian Province The People's Republic of China	339,300,000	100 per cent	339,300,000
			Sub-total:	339,300,000

Group II Property occupied by the Group under operating lease in Hong Kong

	Property	Amount of valuation in existing state attributable to the Group as at 30 June 2009
		HK$
2.	Rooms 1903-04A, 19th Floor Allied Kajima Building No. 138 Gloucester Road Wanchai Hong Kong	No Commercial Value
	Sub-total:	Nil

Group III Property occupied by the Group under operating lease in the PRC

	Property	Amount of valuation in existing state attributable to the Group as at 30 June 2009
		HK$
3.	Room 402, Tower 3 Gushanyuan Estate No. 77 Qianyudong Lu Gushan Town Jinan District Fuzhou City Fujian Province The PRC	No Commercial Value
	Sub-total:	Nil
	Grand Total:	**HK$339,300,000**

VALUATION CERTIFICATE

Group I Property held and occupied by the Group under long-term title certificate in the PRC and valued on the Market Value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 30 June 2009 *HK$*
1.	A factory complex erected on two parcel of adjoining land and located at Rong Qiao Technical Economic Development District (Hong Lu Town Long Tang Village) Fuqing City Fujian Province The People's Republic of China	The property comprises two parcels of adjoining land having a total site area of approximately 17,981.2 sq. m. with 12 various major buildings and structures erected thereon. The 12 major buildings and structures include various composite building, workshops, warehouses and other ancillary supporting facilities of height ranging from single to 6-storey which were completed in between 1995 and 2004. They have a total gross floor area of approximately 17,714.52 sq. m. *(See Note 2 below)* The property is subject to a right to use the lands for various terms till 22 July 2053 and 18 July 2054 for industrial purpose. *(See Note 1 below)*	The property was occupied by the Group for manufacturing, ancillary office, godown and other supporting purposes as at the Date of Valuation.	HK$339,300,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land have been granted by the State to Fujian Nanshaolin Pharmaceutical Co. Ltd（福建南少林葯業有限公司）(formerly known as Fujian Fuqing Pharmaceutical Co., Ltd.（福建省福清葯業有限公司）) and hereinafter referred to as "Fujian Nanshaolin", a wholly-owned subsidiary of the Company, through the following ways, they are:

   (i) A parcel of land having a site area of approximately 15,086 sq. m.

   Pursuant to a contract for the Grant of State-owned Land Use Rights dated 18 June 2002, Land Resources Bureau of Fujian Province Fuqing County（福建省福清市國土資源局）granted the land use rights of a parcel of land having a site area of approximately 15,086.00 sq. m. for industrial purpose to Fujian Fuqing for a term of 27 years subject to the payment of a land premium of RMB1,131,450.

   Pursuant to a land contract dated 9 January 1995 and made between the People's Government of Honglu Town and Fujian Fuqing, and witnessed by the Land Management Bureau of Fujian Province Fuqing County（福建省福清市土地管理局）, the compensation fee of the subject land to the People's Government was agreed at RMB754,300.

   According to a State-owned Land Use Rights Certificate known as Rong Hong Lu Guo Yong (2006) Di 08284 Hao（融宏路國用(2006)第08284號）issued by the People's Government of Fuqing City and dated 9 November 2006, the legally interested party in the land having a site area of approximately 15,086 sq. m. is Fujian Nanshaolin till 22 July 2053 for industrial purpose.

   (ii) A parcel of land having a site area of approximately 2,895.20 sq. m.

   Pursuant to a contract for the Grant of State-owned Land Use Rights dated 26 April 2004, Land Resources Bureau of Fujian Province Fuqing County（福建省福清市國土資源局）granted the land use rights of a parcel of land having a site area of approximately 3,886.67 sq. m. for industrial purpose to Fujian Fuqing for a term of 25 years subject to the payment of a land premium of RMB454,740.

   Pursuant to a land contract dated 20 April 2004 and made between the People's Government of Honglu Town and Fujian Fuqing, and witnessed by the Land Resources Bureau of Fujian Province Fuqing County（福建省福清市國土資源局）, the compensation fee of the subject land to the People's Government was agreed at RMB295,071.

   According to a State-owned Land Use Rights Certificate known as Rong Hong Lu Guo Yong (2006) Di 08285 Hao（融宏路國用(2006)第08285號）issued by the People's Government of Fuqing City and dated 9 November 2006, the legally interested party in the land having a site area of approximately 2,895.20 sq. m. is Fujian Nanshaolin for a term till 18 July 2054 for industrial purpose.

2. Pursuant to 5 various Building Ownership Certificates issued by the Construction Bureau of Fuqing City and all dated 25 September 2006, the legally interested party in the various building and structures having a total gross area of approximately 17,714.52 sq. m. erected on the land as mentioned in Note 1 (i) to (ii) above is Fujian Nanshaolin. The area breakdowns for each of the buildings and structures covered in the certificates are as follows :

Building Ownership Certificate No. – Rong Fang Quan Zheng R Zi Di （融房權證R字第）	**Building/Structure**	**Gross Floor Area** *(sq. m.)*
0602503 Hao號	A 4-storey Composite Building	3,300.62
0602504 Hao號	A Single-storey Workshop	1,186.25
0602505 Hao號	A 2-storey Godown	1,663.73
0602505 Hao號	A Single-storey Workshop and Godown	1,932.11
0602505 Hao號	A Single-storey Pet Room	53.13
0602505 Hao號	A Single-storey Electricity Room	164.10
0602506 Hao號	A Single-storey Guardhouse	12.00
0602506 Hao號	A Single-storey Boiler House	101.80
0602506 Hao號	A Single-storey Machine Repair Workshop	40.00
0602506 Hao號	A Single-storey Gas Holder	29.60
0602506 Hao號	A Single-storey Guardhouse	29.60
0602507 Hao號	A 6-storey Workshop	9,201.58
	Total :	17,714.52

3. Pursuant to a valid Enterprise Legal Person Business Licence Qi Du Min Rong Zong Zi Di 005927 Hao（企獨閩榕總字第005927號）issued by 福州市工商行政管理局 (translated as Industrial and Commerce Administration Management Bureau of Fuqing City) dated 11 January 2006, Fujian Nanshaolin is a wholly-owned foreign enterprise with a valid operational period commencing from 30 December 1996 to 30 October 2022.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Trend Associates（福建創元律師事務所）, the following opinion are noted:

   (i) Fujian Nanshaolin is the legally interested party in the property and has the rights to hold, use, lease, mortgage or freely transfer the property; and

   (ii) As confirmed by the Company, the property is not subject to any mortgages or third party's interests.

Group II Property occupied by the Group under operating lease in Hong Kong

	Property	Description and occupancy	Amount of valuation in its existing state attributable to the Group as at 30 June 2009 *HK$*
2.	Rooms 1903-04A 19th Floor Allied Kajima Building No. 138 Gloucester Road Wanchai Hong Kong	The property comprises two adjoining office units on 19th Floor of a 26-storeyed building (including 2 levels of basement) which was completed in 1990. According to the information made available to us, the property has a total gross floor area of approximately 2,470 sq.ft (229.47 sq. m.) The property is rented to the Group for a term of 2 years from 1 January 2008 to 31 December 2009 at a monthly rental of HK$100,776.00 inclusive of management and air-conditioning charges. The property was occupied by the Group for office purpose as at the Date of Valuation.	No Commercial Value

Notes:

1. The lessor of the property is Art View Properties Limited.

2. The lessee of the property is Broad Intelligence International Pharmaceutical Holdings Limited.

Group III Property occupied by the Group under operating lease in the PRC

	Property	Description and occupancy	Amount of valuation in its existing state attributable to the Group as at 30 June 2009 *HK$*
3.	Room 402, Tower 3 Gushanyuan Estate No. 77 Qianyudong Lu Gushan Town Jinan District Fuzhou City Fujian Province The PRC	The property comprises a unit on Level 4 of a 9-storeyed building which was completed in 2000. According to the information made available to us, the property has a total gross floor area of approximately 134 sq. m. The property is rented to the Group for 1 year from 1 June 2009 to 31 May 2010 at a monthly rental of RMB1,600. The property was occupied by the Group for office purpose as at the Date of Valuation.	No Commercial Value

Notes:

1. The lessor of the property is 周歡平 (translated as Zhou Huan Ping).

2. The lessee of the property is Fujian Nanshaolin.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, in connection with its valuation as at 30 June 2009 of the property interests of the Target Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROPERTY VALUERS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

25 September 2009

17th Floor
Champion Building
No. 287-291 Des Voeux Road Central
Hong Kong

The Directors
Broad Intelligence International Pharmaceutical Holdings Limited
Room 1903, Allied Kajima Building
138 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Broad Intelligence International Pharmaceutical Holdings Limited (hereinafter referred to as the "Company") to us to value certain designated properties in which the Company and its subsidiaries (hereinafter together with the Company referred to as the "Group") have intention to acquire in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30 June 2009 (hereinafter referred to as the "Date of Valuation") for the internal reference of the management of the Company.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching his business decision regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. We considered that market value is the most appropriate basis of value for a wide range of applications, including the purpose of this engagement, thus, after discussed with the management of the Company, we have adopted the market value basis of the properties in our valuations.

The term "Market Value" is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

There are three generally accepted property valuation approaches to value in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (also referred by some valuers as the Market Approach), the Cost Approach and the Income Approach.

In valuing the property in Group I, we have adopted the Sales Comparison Approach on the assumption that the property was sold with the benefit of vacant possession. This method considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

Unless otherwise stated, in valuing the property, we have assumed that:

1. the legally interested party in the property sells the property in the market in its existing state and at its permitted usage without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property;

2. the legally interested party in the property has free and uninterrupted rights to use or assign the property interests for its existing permitted usage for the whole of the unexpired term as granted and any premium payable has already been fully paid; and

3. the property can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to our valuation.

Property in Group II is rented by the Target Group (as defined page 4 of this circular) in the PRC. We have assigned no commercial value due mainly to the short-term nature of the tenancy agreement or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the property in Group I (i.e. the Target Group) has free and uninterrupted rights to assign, to mortgage or to let the property at its existing use (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Company has the right to occupy the property. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title documents of the property in Group I and a copy of the tenancy agreement in Group II. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The inherent defects in the land registration system of China forbidden us to inspect the original documents of the property in Group I that filed in the relevant authorities and to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property. We are not in the legal profession and we are unable to ascertain the titles and to report on any encumbrances that may be registered against the property. However, we have relied solely on the copy of the PRC legal opinion dated 22 September 2009 as provided by the management of the Company with regard to Target Group's titles on the property as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, Trend Associates (福建創元律師事務所). No responsibility or liability from our part is assumed.

In our valuations, we have assumed that the legally interested party in the property in Group I (i.e. the Target Group) has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the property. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, letting, site and floor areas and all other relevant matters.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuations of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the properties, the Group, the Target Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS (GP)
Director

Contributing valuer:
Leslie Wong Tak Chiu *BSc BBA*

Note: Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China. She is also a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I Property to be acquired by the Group in the PRC and valued on the Market Value basis

	Property	Amount of valuation in existing state attributable to the Target Group as at 30 June 2009
		RMB
1.	The whole of Level 2 Tower 302 Nanyou Third Industrial Zone Nanshan Da Dao Dong Nanshan District Shenzhen City Guangdong Province The PRC	3,400,000
	Sub-total:	3,400,000

Group II Property occupied by the Target Group under operating lease in the PRC

	Property	Amount of valuation in existing state attributable to the Target Group as at 30 June 2009 *RMB*
2.	Unit 402, Tower 1 6 Storey Composite Building No. 4 Kaifeng Lu Futian District Shenzhen City Guangdong Province The PRC	No Commercial Value
	Sub-total:	Nil
	Grand Total:	RMB3,400,000

VALUATION CERTIFICATE

Group I Property to be acquired by the Group in the PRC and valued on the Market Value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Target Group as at 30 June 2009 *RMB*
1.	The whole of Level 2 Tower 302 Nanyou Third Industrial Zone Nanshan Da Dao Dong Nanshan District Shenzhen City Guangdong Province The PRC	The property comprises the whole of Level 2 of a 6-storey industrial building. The building was completed in 1989. The property has a total gross floor area of approximately 848.51 sq. m. The land use right of the property is held under Lot No. T104-0070 for a term of 30 years from 22 February 1988 to 21 February 2018 for industrial purpose.	The property was occupied by the Target Group for office and storage purposes as at the Date of Valuation.	3,400,000

Notes:

1. Pursuant to a Realty Title Certificate known as Shen Fang Di Zi Di 4000349979 Hao（深房地字第4000349979號）issued by the Land Resource and Real Estate Management Bureau of Shenzhen City and dated 4 March 2008, the legal interested party in the Property having a total gross floor area of approximately 848.51 sq. m. is 深圳市安芯數字股份有限公司 (translated as Shenzhen City Anxin Digital Shares Limited) which was renamed as 深圳安芯數字發展有限公司 (translated as Shenzhen Anxin Digital Development Limited). The property is situated on a parcel of land known as Lot No. T104-0070 having a site area of approximately 10,501.1 sq. m. and having a land tenure of 30 year commencing from 22 February 1988 and expiring on 21 February 2018 for industrial purpose.

2. The property is subject to a mortgage in favour of 深圳中科智擔保投資有限公司 (translated as Shenzhen Zhong Ke Zhi Assurance Investment Limited).

3. Pursuant to a valid Enterprise Legal Person Business Licence No. 440301102808556 issued by 深圳市工商行政管理局 (translated as Industrial and Commerce Administration Management Bureau of Shenzhen City) dated 19 August 2009, 深圳市安芯數字發展有限公司 (translated as Shenzhen City Anxin Digital Development Limited) (hereinafter referred to as "Shenzhen Anxin") is a limited liability company with a valid operational period commencing from 25 December 1997 to 25 December 2027.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Trend Associates（福建創元律師事務所）, the following opinions are noted:

   (i) 深圳市安芯數字股份有限公司 (translated as Shenzhen City Anxin Digital Shares Limited) which was renamed as 深圳市安芯數字發展有限公司 (translated as Shenzhen Anxin Digital Development Limited) on 4 August 2009;

   (ii) Shenzhen Anxin is the legally interested party in the property and has the rights to hold, use, lease, mortgage or freely transfer the property;

   (iii) The property is under mortgage in favour of Shenzhen Zhong Ke Zhi Assurance Investment Limited. If any transfer of the property is taken place, Shenzhen Anxin has to inform the mortgagor that there is a transfer of the property and to inform the transferee that the property is under mortgage. Otherwise, the transfer of the property will be invalid; and

   (iv) As confirmed by Shenzhen Anxin, the property is not subject to, other than the mortgage as mentioned in Note 4(iii) above, any other third party's interests or restrictions.

Group II Property occupied by the Target Group under operating lease in the PRC

	Property	Description and occupancy	Amount of valuation in its existing state attributable to the Target Group as at 30 June 2009 *RMB*
2.	Unit 402, Tower 1 6 Storey Composite Building No. 4 Kaifeng Lu Futian District Shenzhen City Guangdong Province The PRC	The property comprises a unit on Level 4 of a 6-storeyed building which was completed in 1992. According to the information made available to us, the property has a total gross floor area of approximately 485 sq. m. The property is rented to the Target Group for a term of 3 years from 1 April 2008 to 31 March 2011 at a monthly rental of RMB19,400. The property was occupied by the Target Group for office, operational centre and storage purposes as at the Date of Valuation.	No Commercial Value

Notes:

1. The lessor of the property is 深圳市滿京華投資集團有限公司 (translated as Shenzhen City Manjinghua Investment Group Limited).

2. The lessee of the property is 深圳市安科安全生產信息服務有限公司 (translated as Shenzhen Anke Safety Production Information Services Co. Limited).

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
2,000,000,000	Shares	200,000,000
Issued and fully paid:		
555,899,000	Shares	55,589,900

No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules:

Long position in the Shares and underlying Shares

Name of director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Zhong Houtai	Interest of controlled corporation	211,720,000 *(Note)*	38.09%

Note:

The Shares are registered under the name of Elite Achieve Limited, whereas the entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai. Mr. Zhong Houtai is therefore deemed to be interested in all the Shares registered in the name of Elite Achieve Limited under the SFO.

(b) Interests of substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

(i) Long position in the Shares or underlying Shares

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Yang Kezhi	Interest of controlled corporation	1,500,000,000	269.83% *(Notes 1)*
Golden Bright Holdings Limited	Interest of controlled corporation	1,500,000,000	269.83% *(Notes 1)*
Talent Eagle Holdings Limited	Beneficial owner	1,500,000,000	269.83% *(Notes 1)*
Wu Wenying	Interest of controlled corporation	446,153,846	80.26% *(Notes 2)*
Heroic Rich Limited	Beneficial owner	446,153,846	80.26% *(Notes 2)*
Elite Achieve Limited	Beneficial owner	211,720,000	38.09% *(Notes 3)*
Katsomalos Nikolaos	Beneficial owner	122,112,000	21.97%

Notes:

1. Pursuant to the Share Transfer Agreement, Talent Eagle Holdings Limited has, subject to the Completion, agreed to subscribe for the Consideration Shares and the Tranche 1 Convertible Note. Talent Eagle Holdings Limited is therefore interested in 1,500,000,000 Shares under the SFO. Furthermore, the entire issued share capital of Talent Eagle Holdings Limited is legally and beneficially owned by Golden Bright Holdings Limited, whereas the entire issued share capital of Golden Bright Holdings Limited is legally and beneficially owned by Mr. Yang Kezhi. Golden Bright Holdings Limited and Mr. Yang Kezhi are therefore deemed to have an interest in the 1,500,000,000 Shares in which Talent Eagle Holdings Limited is interested.

2. Pursuant to the Share Transfer Agreement, Heroic Rich Limited has, subject to the Completion, agreed to subscribe for the Tranche 2 Convertible Note. Heroic Rich Limited is therefore interested in 446,153,846 Shares under the SFO. Furthermore, the entire issued share capital of Heroic Rich Limited is legally and beneficially owned by Ms. Wu Wenying. Ms. Wu Wenying is therefore deemed to have an interest in the 446,153,846 Shares in which Heroic Rich Limited is interested.

3. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai, an executive Director.

4. All interests stated above represent long positions.

(ii) Substantial shareholders in other member(s) of the Enlarged Group

Name of the member of the Enlarged Group	Name of substantial shareholder	Approximate percentage of the issued share capital/registered capital of the member
Eagle Mascot Limited	Talent Eagle Holdings Limited	75%
Eagle Mascot Limited	Heroic Rich Limited	25%

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contracts with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were considered to have interests in any business which competed or may compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors or any proposed Director had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and were, or may be, material:

(i) the agreement entered into between 濟南瑞貝特生物科技有限公司 (Jinan King Rabbit Biological Technology Co. Ltd.) as vendor and 福建南少林葯業有限公司 (Fujian Nanshaolin Pharmaceutical Co. Ltd.), a wholly-owned subsidiary of the Company, as purchaser dated 8 October 2007 pursuant to which the purchaser agreed to purchase and the vendor agreed to sell exclusively to the purchaser the formulae, medical approval numbers and the right of future development of Boric Acid Ear Drops（硼酸冰片滴耳液）for a consideration of RMB24 million;

(ii) the placing agreement entered into between the Company as issuer and China Merchants Securities (HK) Co., Limited ("**China Merchants Securities**") as placing agent dated 21 April 2009, pursuant to which the Company appointed China Merchants Securities as the sole and exclusive placing agent to procure, on a best effort basis, not less than six placees to subscribe for up to 92,000,000 warrants which would confer rights to the holders thereof to subscribe for Shares; and

(iii) the Share Transfer Agreement and the Supplemental Agreement.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Registered Professional Surveyors

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did they have any direct or indirect interest in any assets which had been, since 31 December 2008, being the date of the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MISCELLANEOUS

(a) The company secretary and qualified accountant of the Company is Mr. Chow Chi Wa, Edward, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants. He is also an associate of both The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is Unit 1903, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at Unit 1903, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2007 and 2008;

(c) the accountants' report on the Target Company, the text of which is set out in Appendix II to this circular;

(d) the accountants' report on An-xin, the text of which is set out in Appendix III to this circular;

(e) the report regarding the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the valuation report on the property interests of the Group, the text of which is set out in Appendix V to this circular;

(g) the valuation report on the property interests of the Target Group, the text of which is set out in Appendix VI to this circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(i) the written consents referred to in the paragraph headed "Experts' qualifications and consents" in this appendix; and

(j) this circular.

BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED
博智國際藥業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1149)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Broad Intelligence International Pharmaceutical Holdings Limited (the "**Company**") will be held on 13 October 2009 at 10:00 a.m. at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**

(1) "**THAT** the share transfer agreement dated 31 August 2009 and the supplemental agreement dated 4 September 2009 (together the "**Share Transfer Agreement**") entered into among (i) Hover Rise Limited as purchaser; (ii) Talent Eagle Holdings Limited ("**Vendor 1**") and Heroic Rich Limited ("**Vendor 2**", together with Vendor 1 the "**Vendors**") as vendors; (iii) Mr. Yang Kezhi and Ms. Wu Wenying as the Vendors' guarantors; and (iv) the Company (a copy of which is marked "A" and produced to the meeting and signed by the chairman of the meeting for identification purpose) in relation to the acquisition of entire issued share capital of and the shareholder's loan owed by Eagle Mascot Limited be and are hereby ratified, confirmed and approved, and all the transactions contemplated under the Share Transfer Agreement, including but not limited to:–

(i) the allotment and issue of 131,000,000 ordinary shares of par value HK$0.10 each in the share capital of the Company (the "**Shares**") credited as fully paid at an issue price of HK$0.65 per Share (the "**Consideration Shares**") by the Company to Vendor 1 (or its nominee(s));

(ii) the issue of the non-listed tranche 1 convertible note in the principal amount of HK$889,850,000 and the non-listed tranche 2 convertible note in the principal amount of HK$290,000,000 (the "**Convertible Note**") by the Company to Vendor 1 and Vendor 2 (or their respective nominee(s)) respectively;

(iii) the allotment and issue of new Shares to holder(s) of the Convertible Note upon exercise of the conversion rights attached to the Convertible Note (the "**Conversion Shares**"); and

(iv) the entering into the deed of indemnity, the assignment of loan, and the escrow agreement substantially in such forms as attached to the schedules to the Share Transfer Agreement

be and are hereby approved, and any one of the directors of the Company (the "**Directors**") be and is hereby authorised to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the company secretary of the Company or some other person appointed by the board of Directors for the purpose) and to take such steps as such Director considers necessary, appropriate, desirable or expedient for the implementation of and giving effect to the Share Transfer Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company as a whole."

(2) "**THAT** conditional upon the passing of resolution (1) above and the completion of the Share Transfer Agreement, the authorised share capital of the Company be and is hereby increased 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 the creation of additional 2,000,000,000 new Shares in the capital of the Company, and that any one of the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the company secretary of the Company or some other person appointed by the board of Directors for the purpose) and to take such steps as such Director considers necessary, appropriate, desirable or expedient for the implementation of and giving effect to or in connection with such increase in the authorised share capital of the Company."

(3) "**THAT** conditional upon the passing of resolutions (1) and (2) above and the completion of the Share Transfer Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Consideration Shares and the Conversion Shares contemplated under the Convertible Note, which specific mandate can be exercised once or more than once and with a valid term of five years commencing from the issue date of the Convertible Note as referred to in resolution (1) above.""

By order of the Board
Broad Intelligence Pharmaceutical Holdings Limited
Mr. Zhong Houtai
Chairman

Hong Kong, 25 September 2009

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or, if he holds two or more shares, more proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the Meeting or adjourned Meeting.

2. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjournment.

3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.

4. The register of members of the Company will be closed from 12 October 2009 to 13 October 2009, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the Meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 9 October 2009.

5. As at the date of this notice, the board of directors of the Company comprises Mr. Zhong Houtai, Mr. Zhong Houyao, Mr. Chong Hoi Fung and Mr. Sun Daquan, all being executive directors and Mr. Cheung Chuen, Mr. Pei Renjiu and Mr. Li Kai Ming, all being independent non-executive directors.