SHENZHEN BENELUX ENTERPRISE CO., LTD.

SEMI-ANNUAL REPORT 2009

Important Notice

The Board of Directors and all directors of SHENZHEN BENELUX ENTERPRISE CO., LTD. (hereinafter referred to as the Company) hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take the individual and/or joint responsibilities for the reality, accuracy and completeness of the whole contents.

This semi-annual report was examined and approved by the 12th Meeting of the 5th Board of Directors of the Company.

Financial Report of this Semi-annual Report has not been audited.

Chairman of the Board Mr. Xu Min, General Manager Mr. Wang Changsheng and Person in charge of finance Ms. Li Lingling hereby confirm that the financial report of the semi-annual report is true and complete.

The report is prepared both in Chinese and English. When there is any diversity in interpreting, the Chinese version shall prevail.

Contents

Chapter I Company Profile

I. Legal Name of the Company
In Chinese: 深圳本鲁克斯实业股份有限公司
In English: Shenzhen Benelux Enterprise Co., Ltd.
II. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock: * ST BENELUX-B
Stock Code: 200041
III. Registered Address: Bldg. 11, Nanyou Zhongxing Industry Village, Nanshan District, Shenzhen
Office Address: Rm.C4-504, Linyuan Building, Shekou, Nanshan District, Shenzhen
Post Code: 518054
E-mail: szshbshi@public.szptt.net.cn
Legal Representative: Mr. Xu Min
IV. Secretary of the Board of Directors: Mr. Xu Min (acting)
Contact Address: Rm.C4-504, Linyuan Building, Shekou, Nanshan District, Shenzhen
Tel: 0755-26068614
Fax: 0755-26400624
E-mail: szshbshi@public.szptt.net.cn
Newspapers Chosen by the Company for Disclosing Information: Securities Times and HK Ta Kung Pao
Website Designated by CSRC for Publishing the Semi-Annual Report: http://www.cninfo.com.cn
Place Where the Semi-Annual Report is Prepared and Placed: the Secretariat of the Board of the Company
V. Other Relevant Information:
Initial Registration Date: Dec. 10, 1990
Initial Registration Address: Bldg. 11, Nanyou Zhongxing Industry Village, Nanshan District, Shenzhen
Registration Code of Enterprise Legal Person's Business License: QGYSZ Zi No. 101951
Registration Code of Tax: National Revenue: 440301618853267
Local Tax: 440305618853267
Name and Address of the Certified Public Accountant engaged by the Company:
Domestic: Shenzhen Pengcheng Certified Public Accountants Co., Ltd.
Address: 5F, Baofeng Building, No. 2006, South Dongmen Road, Shenzhen
(Post code: 518002)

VI. Major financial data and indexes
(I) Major financial indexes

	At the end of this report period	At the period-end of the last year	Increase/decrease of the end of report period compared with the period-end of the

			last year (%)
Total assets	10,253,256.24	10,645,772.99	-3.69%
Owners' equity attributable to shareholders of listed company (RMB)	-390,462,641.14	-389,583,260.77	-0.23%
Share capital	60,500,000.00	60,500,000.00	0.00%
Net assets per share attributable to shareholders of listed company (RMB/share)	-6.45	-6.44	-0.15%
	The report period (Jan. -Jun.)	The same period of the last year	Increase/decrease during the report period compared with that of the last year (%)
Total operation income	274,305.00	307,308.00	-10.74%
Operation profit	-879,380.37	-1,046,931.90	16.00%
Total profit	-879,380.37	-1,046,931.90	16.00%
Net profit attributable to shareholders of listed company	-879,380.37	-1,046,931.90	16.00%
Net profit attributable to shareholders of listed company after deducting non-recurring gains and losses	-879,380.37	-1,046,931.90	16.00%
Basic earnings per share (RMB/share)	-0.015	-0.017	-11.76%
Diluted earnings per share (RMB/share)	-0.015	-0.017	-11.76%
Return on net assets (%)	0.00%	0.00%	0.00%
Net cash flow arising from operating activities	11,362.18	-7,467.65	252.15%
Net cash flow per share arising from operating activities (RMB/share)	0.00	0.00	0.00%

(II) Difference between and CAS and IAS

	CAS	IAS
Net profit	-879,380.37	-879,380.37
Net assets	-390,462,641.14	-390,462,641.14
Explanation on difference	No difference.	

(III) Return on equity and earnings per share were listed as follows:

Profit in the report period	Return on equity (%)	Earnings per share (RMB Yuan/share)

	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Operating profit			-0.015	-0.015
Net profit			-0.015	-0.015
Net profit after deducting non-recurring gains and losses			-0.015	-0.015

Chapter II Changes on Share Capital and Particulars about Shareholders

I. Total shares and its structure of the Company remained unchanged in the report period.

II. Particulars about shareholders:

(I) Dated Jun. 30, 2009, there were 3865 shareholders in total, among which 64 shareholders of A shares and 3801 shareholder of B shares.

(II) Dated Jun. 30, 2009, information on the top ten shareholders and shares held by top ten shareholders of tradable shares:

Total shareholders	3,865				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion (%)	Total number of shares held	Number of non-tradable shares held	Share pledged or frozen
HAINAN RULAI TIMBER CO., LTD.	Domestic non stated-owned legal person	24.25%	14,668,557	14,668,557	
HONG KONG JIALI PRECISION MANUFACTURING CO., LTD.	Overseas legal person	23.55%	14,247,290	14,247,290	
HAINAN JINJIAN GUOTOU PROPERTY CO., LTD.	Stated-owned legal person	14.00%	8,473,001	8,473,001	
SHEKOU HANSHENG ELECTRONIC CO., LTD.	Stated-owned legal person	8.08%	4,889,520	4,889,520	4,889,520
SUN LI FENG	Domestic natural person	3.19%	1,093,701		
HONG KONG ORIENT INVESTMENT CO., LTD.	Overseas legal person	1.72%	1,039,632	1,039,632	
WANG YONG	Domestic natural person	0.53%	320,000		
WANG YAN	Domestic natural person	0.50%	300,000		
ABN AMRO BRANK NV	Overseas legal	0.41%	246,700		

	person				
KOTO TRANSPORT LTD	Overseas legal person	0.33%	200,000		
ZHANG HAN XING	Domestic natural person	0.32%	196,900		

Particulars about shares held by the top ten shareholders of tradable shares		
Name of shareholders	Numbers of tradable share held	Type of share
SUN LI FENG	1,093,701	Domestically listed foreign shares
WANG YONG	320,000	Domestically listed foreign shares
WANG YAN	300,000	Domestically listed foreign shares
ABN AMRO BANK NV	246,700	Domestically listed foreign shares
KOTO TRANSPORT LTD	200,000	Domestically listed foreign shares
ZHANG HAN XING	196,900	Domestically listed foreign shares
WANG JUN BIN	188,902	Domestically listed foreign shares
GUI RAN YAO	150,000	Domestically listed foreign shares
CHEN SU JUAN	146,000	Domestically listed foreign shares
CHEN WEI	121,000	Domestically listed foreign shares
Explanation on associated relationship among the above said shareholders or action-in-concert	According to the information acquired by the Company presently, the Company was unknown whether there is any associated relationship among the top ten shareholders or action-in-concert regulated by the regulation of Measures for the Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies; The Company was unknown whether there is any associated relationship among the top ten shareholders of tradable shares.	

Notes:

1. According to the information acquired by the Company presently, no shares of the top ten shareholders was pledged or frozen, except Shekou Hansheng Electronic Co., Ltd., 4,889,520 shares held by Shekou Hansheng Electronic Co., Ltd. were frozen by Shanwei Intermediate People's Court. On Apr. 9, 2007, these shares were judged to transfer to China Orient Asset Management Corp. (Shenzhen Office) for paying a debt.
2. The Company was unknown whether there is any other associated relationship among the top ten shareholders or action-in-concert regulated by the regulation of Measures for the Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies.
3. Among above said 10 shareholders, there were no units holding shares on behalf of the state. They were all overseas shareholders except Hainan Rulai Timber Co., Ltd, SHEKOU HANSHENG ELECTRONIC CO., LTD and Hainan Jinjian Guotou Property Co., Ltd. because they were domestic shareholders.

Chapter III Particulars about Directors, Supervisors and Senior Management

I. In the report period, the shares held by directors, supervisors and senior management remained unchanged.
II. Dated Jun. 30, 2009, the directors, supervisors and senior management of the Company remained unchanged.

Chapter IV Discussion and Analysis of the Management

I. Brief analysis on operating results and financial status:

Table I. (Unit: RMB Yuan)

Items	30 Jun. 2009	30 Jun. 2008	Year-on-year increase/ decrease (%)
Income from main operation			
Operation profit	-879,380.37	-1,046,931.90	16.00%
Net profit	-879,380.37	-1,046,931.90	16.00%

Notes: the changes on operation profit compared with the same period of the last year was because that the substantial decrease of lease income in this period compared with the same period of the last year.

Table I. (Unit: RMB Yuan)

Items	30 Jun. 2009	30 Jun. 2008	Increase/ decrease over the end of last year (%)
Total assets	10,253,256.24	10,645,772.99	-3.69%
Shareholders' equity	-390,462,641.14	-389,583,260.77	-0.23%

II. Analysis of the management:
(I) the headquarters: in the report period, the Company still failed to hold relevant main business. The main task of the Company was dealing with historical debts, but it made no great progress;
(II) Particulars of subsidiaries
(1) Wuhan Ruide Biological Product Co., Ltd.(hereinafter refer to as Ruide Company): according to relevant agreement, the Company entrusted Ruide Company to Wuhan Zhongyuan Industry Co., Ltd. On Apr. 18, 2008, the Company received the Notice on Releasing the Entrust in Time Limit (SNFZ Zi (2005) No. 1484 Document) from Shenzhen Nanshan People's Court (hereinafter refer to as Nanshan Court), the Company drafted to transact this entrust affairs with Nanshan Court and other units according to relevant laws and rules. Dated reporting date, the Company didn't receive the relevant documents on punishment.
(2) Shenhzen Houyuan Medical Instrument Co., Ltd.(hereinafter refer to as Houyuan

Company): The Company received the joint responsibilities for providing guarantee when Weiyu (HK) Co., Ltd. and Gangyu Industrial Co., Ltd transacted L/C at business department, Shenzhen Branch, Industrial and Commercial Bank of China. (This creditor's right has been transferred to China Orient Asset Management Corp. Shenzhen Office), then Shenzhen office applied to court to seal up 75% shares of Houyuan Company held by the Company. On Aug. 15, 2006, the Company received the notice from Guangdong Shanwei Intermediate People's Court, which stated that it decided to assess the 75% shares of Houyuan Company held by the Company. Dated reporting date, the relevant procedure still was in progress.

(3) Shenzhen Benelux Simulation & Control Company: up until the report date, the said company was still in production halt.

The Company finished semi-annual financial report 2009 based on headquarters (the above three subsidiary companies were not listed into consolidated statement).

III. Investment in the report period

During the report period, the Company has no new external investment, and the original external investment remained unchanged.

IV. Explanation on "Qualified Opinion" from the Certified Public Accountants in the last year

(I) Explanation from the Board of Directors

(1) The audit scope is limited.

1) Concerning the rationality of the un-consolidated statements: as stated in Note Ⅶ to the financial statements, the 99% equities of Wuhan Ruide Biological Product Co., Ltd. (hereinafter referred to as "Ruide Company") held by the Company were auctioned legally by Shenzhen Nanshan Court. The 75% equities of Shenzhen Houyuan Medical Appliances Co., Ltd. (hereinafter referred to as "Houyuan Company") held by the company were sealed up and planned to be assessed and auctioned by Shanwei Intermediate People's Court for involving in lawsuits. And the 91.11% equity of Shenzhen Benelux Simulation & Control Co., Ltd. held by the Company was frozen by Wuhan Intermediate People's Court, which was in the state of suspension in 2007. All these facts manifested that the Company had lost the substantial control over the three subsidiaries. In order to solve the said problems, the Board of Directors and the Shareholders' General Meeting had made relevant resolutions on disposing and liquidating the three subsidiaries (please refer to the public notices disclosed by the Company on Securities Times and Hong Kong Ta Kung Pao on 29 Mar. 2006 and 9 May 2006). According to Accounting Standard for Business Enterprises - Consolidated Financial Statements, it was in light with the regulation of Consolidated Financial Statement that the Company did not bring the three subsidiaries to be disposed, being lost control and in the state of suspense into the consolidated statements scope, which truly and fairly reflected the financial status of the Company.

2) Influence of the un-audit on the accounting statements: Because the Company had withdrawn impairment provision on long-term investment at full amount, of which the

book value was zero, as well as the un-qualification of the subsidiaries for the consolidated statements, there were no influence on the financial status and operating results of the Company. In addition, there is currently no evidence indicating that the Company may have other guarantee issues.

(2) Concerning going-concern of the Company

So far, the Company had achieved great progress in debt restructuring (please refer to Note ⅩⅢ to the financial statements for more details), which laid a foundation for the rest work of debt restructuring and the next asset restructuring. It was hoped that the Company could stem the disadvantaged tide and get out of the dilemma that there was no main business by means of efforts of the Company and the large shareholders, as to return to the track of normal development.

(II) Explanation on changes and handling of events involved in "Qualified Auditor's Report" of last year

Handling of events involved in "Qualified Auditor's Report" of last year was still under way. At present, there was no public notice published according to regulations.

V. There occurred no great fluctuation between the actual business results in the report period and the earnings forecast disclosed in the periodical report.

Chapter Ⅴ Significant Events

I. Corporate governance

In the report period, according to the requirement of Company Law, Securities Law, Code of Corporate Governance for Listed Companies and other relevant laws and rules, the Company strengthened work of information disclosure, perfected the structure of legal person and rules on internal control continuously and further enhanced consciousness of regulating operation.

Based on execution of the special campaign of corporate governance in 2008, the Company continued to deepen corporate governance according to relevant requirements of CSRC and Shenzhen Branch in the first half year of 2009. The Company promoted standard operation further by durative self-examination and rectification.

At present, the Company was in transition phase of reorganization, no main business was developed and personnel allocation was not mature, implementation of many internal control systems was restricted by a large margin. Promotion of corporate governance is a long-term project, and the Company will combine actuality, further develop corporate governance and perfect governance system, and continually improve standard operation and publicity to ensure durative, health and stable development.

II. During the report period, the Company didn't execute profit distribution plan, capitalization plan of public reserves and plan on offering new shares. The Company neither distributed profit nor capitalized public reserves in interim of 2009.

III. During the report period, there was no serious lawsuit or arbitration.
IV. No assets were acquired, sold or reorganized during the report period.
V. There was no significant related transaction in the report period.
VI. The company or the shareholders holding over 5% shares (including 5%) had no commitment that would probably impact significant influence on the operating results and financial status of the Company in the report period or happening in the previous years but going down to the report period.
VII. In the report period, the Company has no significant custody, contract and leases the assets of other companies, or vice versa.
VIII. The external guarantee of the Company was listed as follows:

External Guarantees (excluding guarantees for shareholding subsidiaries)						
Name of warrantee	Date of occurrence (Date of signing the agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Accomplished implementation or not	Guaranteed for related parties or not
Weiyu (HK) Co., Ltd.	4 Jun. 1996	3,145.00	Joint responsibility guarantee	2 years	No	No
Gangyu Industrial Co., Ltd.	4 Mar. 1997	15,328.00	Joint responsibility guarantee	2 years	No	No
Wuhan Chaolong Materials Development Co., Ltd.	20 Nov. 2003	1,065.00	Joint responsibility guarantee	2 years	No	No
Wuhan Duolunbao Beer Co., Ltd.	30 Dec. 1999	120.00	Joint responsibility guarantee	1 year	No	No
Chengdu Xinchang Petrochemical Co., Ltd.	6 Dec. 2001	2,000.00	Joint responsibility guarantee	2 years	No	No
Chengdu Xinchang Petrochemical Co., Ltd.	19 Jun. 2001	1,000.00	Joint responsibility guarantee	1 year	No	No
Chengdu Xinchang Petrochemical Co., Ltd.	30 May 2002	240.00	Joint responsibility guarantee	6 months	No	No
Wuhan Ronglida Industry Development Co., Ltd.	20 Aug. 2002	196.00	Joint responsibility guarantee	6 months	No	No
Beijing Union Huitong Investment Co., Ltd.	11 Nov. 2003	558.00	Joint responsibility guarantee	8 months	No	No
Shenzhen Taifeng Electronics Company	28 Nov. 2003	950.00	Joint responsibility guarantee	1 year	No	No
Shenhzen Houyuan Medical Instrument Co., Ltd.	27 Apr. 2004	4,266.00	Joint responsibility guarantee	3 years	No	No
Chengdu Xinchang Petrochemical Co., Ltd.	27 Feb. 2004	1,270.00	Joint responsibility guarantee	1 year	No	No
Weiyu (HK) Co., Ltd.	1 Jan. 2002	300.00	Joint responsibility guarantee	1 year	No	No

Total guarantee occurred in the report period	0.00
Total balance of guarantee at the end of the report period (A)	31,380.00
Guarantees for shareholding subsidiaries by the Company	
Total guarantee provided to the shareholding subsidiaries in the report period	0.00
Total balance of guarantee provided to the shareholding subsidiaries at the end of the report period (B)	0.00
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)	
Total amount of guarantee（A+B）	31,380.00
The proportion of the total amount of guarantee in the net assets of the Company	-80.37%
Among which:	
Amount of guarantee provided for the shareholder, actual controller and other related parties（C）	0.00
The debts guarantee amount provided directly or indirectly for the guarantee of which the assets-liability ratio exceeded 70%（D）	0.00
Proportion of total amount of guarantee in net assets of the Company exceeded 50%（E）	0.00
Total amount of the above three guarantees*（C+D+E）	0.00
Amount of guarantee provided for the shareholder, actual controller and other related parties（C）	Naught

1. In Dec. 2006, Mr. Shi Ming, Ye Hongyuan, Wu Yuanzong and Wu Xianjin acquired creditors' rights of RMB 67,472,172.18 from Shenzhen Office of China Orient Asset Management Corp. In Dec. 2007, Mr. Ye Hongda and Mr. Wu Yuanzong transferred all their shares to Mr. Shi Ming, withdrawing from the partnership. On 7 Apr. 2009, the Company received Letter on Exemption of creditors' rights from Shi Ming and Wu Xianjin, on which creditors Shi Ming and Wu Xianjin agree to exempt RMB 25 million, that is, the Company has to repay RMB 42,472,172.18.

2. On 12 May 2009, the Company received Debt Restructuring Contract signed from China Orient Asset Management Corporation, Chengdu Office (hereinafter refer to as Orient Chengdu Office). According to the signed contract, the Company bought out the guarantee responsibility with no less than RMB 3.5 million. In case that the Company performed obligations according to relevant agreement, the Company would settle guarantee liability of principal and interesting amounting to RMB 17 million, which improved debts and financial status of the Company at a certain extent.

IX. Particulars about investigation, communication, interviews and other activities in the report period

Reception time	Reception place	Reception way	Reception objects	Discussion content and material provided by the Company
14 Apr. 2009	Bldg. 13, Nanyou Zhongxing Industry Village, Nanshan District	Communication by telephone	Individual investors	The time that the stock resume for trading
20 May 2009	Bldg. 13, Nanyou Zhongxing Industry Village, Nanshan District	Communication by telephone	Individual investors	The time that the stock resume for trading and reason for failing to disclosure of annual report

X. Index for public notice of other significant events

In the report period, all public notices of the Company were published on Securities Times and HK Ta Kung Pao and internet website http://www.cninfo.com.cn.

Except significant events above mentioned, the public notice of other significant events were listed as follows:

Serial No.	Publishing Date	Contents of the Public Notice
2009-01	27 Apr. 2009	Public Notice on Unable to Disclosure of Annual Report 2008 as Scheduled
2009-02	5 May 2009	Public Notice on Being Filed and Inquired by CSRC
2009-03	16 Jul. 2009	Supplementary Public Notice on Creditors Agreeing to Exempt Debt
2009-04	17 Jul. 2009	Public Notice on Signing Debt Restructuring Contract with China Orient Asset Management Corporation, Chengdu Office
2009-06	221 Jul. 2009	Public Notice on Wuhann Intermediate People's Court Terminating Guarantee Lawsuit about Wuhan Xianfeng Credit Cooperatives
2009-07	30 Jul. 2009	Public Notice on Judgment on Auction of the 4th Floor of Workshop of the Company by Shenzhen Nanshan District Court
2009-08	30 Jul. 2009	Public Notice on Office Move of the Company

Except theses matters, there was no matter occurred listed in Article 67 of Securities Law, Article 36 of Management Measures on Information Disclosure of the Company Offered Shares Publicly or the significant matters judged by the Board of Directors.

Chapter VI Financial Report

I. Financial report and notes (attachment)

Note: This report was prepared in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

The Board of Directors of
SHENZHEN BENELUX ENTERPRISE CO., LTD.
5 Nov. 2009

Balance Sheet

Prepared by Shenzhen Benelux Enterprise Co., Ltd 30 Jun. 2009 Unit: RMB Yuan

Items	Balance at the period-end		Balance at the year-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	21,426.29	21,426.29	10,064.11	10,064.11
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable				
Account receivable				
Account paid in advance				
Premiums receivable				
Reinsurance premiums receivable				
Receivable reinsurance contract reserves				
Interest receivable				
Dividend receivable				
Other account receivable	48,171.77	48,171.77	47,900.00	47,900.00
Buying back the sale of financial assets				
Inventories				

Non-current assets due within 1 year				
Other current assets				
Total current assets	69,598.06	69,598.06	57,964.11	57,964.11
Non-current assets:				
Loans and advance				
Available for sale financial assets				
Held to maturity investments				
Long-term account receivable				
Long-term equity investment				
Investing property				
Fixed asset	10,183,658.18	10,183,658.18	10,587,808.88	10,587,808.88
Construction in progress				
Project materials				
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets				
Development expense				
Goodwill				
Long-term expense to be apportioned				
Deferred tax assets				
Other non-current assets				
Total of non-current assets	10,183,658.18	10,183,658.18	10,587,808.88	10,587,808.88
Total assets	10,253,256.24	10,253,256.24	10,645,772.99	10,645,772.99
Current liabilities:				
Short-term borrowings	6,990,000.00	6,990,000.00	6,990,000.00	6,990,000.00
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Call loan received				
Transaction financial liabilities				
Notes payable				
Account payable	136,282.84	136,282.84	136,282.84	136,282.84
Account received in advance				
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee’s compensation payable				
Tax payable	1,648,214.98	1,648,214.98	1,648,214.98	1,648,214.98
Interest payable	3,793,046.70	3,793,046.70	3,588,611.70	3,588,611.70
Dividend payable				
Other account payable	74,340,201.04	74,340,201.04	74,057,772.42	74,057,772.42
Reinsurance premiums payable				
Insurance contract reserves				

Money received for acting trading of securities				
Money paid for acting underwriting of securities				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	86,907,745.56	86,907,745.56	86,420,881.94	86,420,881.94
Long-term borrowings				
Bonds payable				
Long-term payables				
Specific payables				
Accrued liabilities				
Deferred tax liabilities	313,808,151.82	313,808,151.82	313,808,151.82	313,808,151.82
Other non-current liabilities				
Total non-current liabilities				
Total liabilities	313,808,151.82	313,808,151.82	313,808,151.82	313,808,151.82
Long-term borrowings	400,715,897.38	400,715,897.38	400,229,033.76	400,229,033.76
Owner's equity (or Shareholders' equity):				
Paid-up capital (or Share capital)	60,500,000.00	60,500,000.00	60,500,000.00	60,500,000.00
Capital reserves	34,791,680.54	34,791,680.54	34,791,680.54	34,791,680.54
Less: treasury stock				
Specific reserves				
Surplus reserves	31,716,564.50	31,716,564.50	31,716,564.50	31,716,564.50
Provision for general risks				
Retained profits	-517,470,886.18	-517,470,886.18	-516,591,505.81	-516,591,505.81
Foreign exchange difference				
Total owners' equity attributable to parent company	-390,462,641.14	-390,462,641.14	-389,583,260.77	-389,583,260.77
Minority interest				
Total owner's equity	-390,462,641.14	-390,462,641.14	-389,583,260.77	-389,583,260.77
Total liabilities and owner's equity	10,253,256.24	10,253,256.24	10,645,772.99	10,645,772.99

Legal representative: Xu Min
CFO: Wang Changsheng
Person in charge of Accounting Office: Li Lingling

Income Statement

Prepared by Shenzhen Benelux Enterprise Co., Ltd Jan.-Jun. 2009 Unit: RMB Yuan

Items	For the current period		Same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	274,305.00	274,305.00	307,308.00	307,308.00
Including: Sales	274,305.00	274,305.00	307,308.00	307,308.00
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	1,153,685.37	1,153,685.37	1,354,239.90	1,354,239.90
Including: Cost of sales	0.00		0.00	

Interests expenses				
Handling charges and commission income				
Cash surrender value				
Net amount of claims				
Net amount withdrawn from the insurance contract reserve				
Expenditure on policy dividends				
Reinsurance premium				
Taxes and associate charges	5,464.80	5,464.80	11,935.70	11,935.70
Selling and distribution expenses				
Administrative expenses	941,545.27	941,545.27	1,137,917.04	1,137,917.04
Financial expense	206,675.30	206,675.30	204,387.16	204,387.16
Impairment loss				
Add: gain/(loss) from change in fair value ("-" means loss)				
Investment income ("-" means loss)				
Including: income form investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	-879,380.37	-879,380.37	-1,046,931.90	-1,046,931.90
Plus: non-operation income				
Less: non- operation expense				
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-879,380.37	-879,380.37	-1,046,931.90	-1,046,931.90
Less: Tax expense				
V. Net profit ("-" means loss)	-879,380.37	-879,380.37	-1,046,931.90	-1,046,931.90
Attributable to parent company	-879,380.37	-879,380.37	-1,046,931.90	-1,046,931.90
Minority interest				
VI. Earnings per share				
(I) Basic earnings per share	-0.015	-0.015	-0.017	-0.017
(II) Diluted earnings per share	-0.015	-0.015	-0.017	-0.017

Legal representative: Xu Min
CFO: Wang Changsheng
Person in charge of Accounting Office: Li Lingling

Cash Flow Statement

Prepared by Shenzhen Benelux Enterprise Co., Ltd Jan.-Jun. 2009 Unit: RMB Yuan

Items	For the current period		Same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
Ⅰ.Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service				
Net increase of deposits from customers and dues				

from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of savings of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of borrowed inter-bank funds				
Net increase of buy-back funds				
Tax refunds received				
Other cash received relating to operating activities	274,305.00	274,305.00	270,908.00	270,908.00
Subtotal of cash inflows from operating activities	274,305.00	274,305.00	270,908.00	270,908.00
Cash paid for purchase of commodities and reception of service				
Net increase of customer lending and advances				
Net increase of funds deposited in the central bank and amount due from banks				
Cash for paying claims of the original insurance contract				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	74,012.31	74,012.31	153,423.85	153,423.85
Various taxes paid	5,291.18	5,291.18	17,551.28	17,551.28
Payment of cash relating to operating activities	183,639.33	183,639.33	107,400.52	107,400.52
Subtotal of cash outflows from operating activities	262,942.82	262,942.82	278,375.65	278,375.65
Net cash flows from operating activities	11,362.18	11,362.18	-7,467.65	-7,467.65
Ⅱ. Cash flows from investment activities:				
Cash received from disposal of investments				
Investment income				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets				
Net cash received from disposal of subsidiary or other operating business units				
Other cash received relating to investment activities				
Subtotal of cash inflows from investment activities				
Cash paid to acquire fixed assets, intangible assets and other long-term assets				

Cash paid for investment				
Net increase of pledged loans				
Net cash paid by subsidiaries and other operating units				
Payment of cash relating to other investment activities				
Subtotal of cash outflows from investment activities				
Net cash flows from investment activities				
Ⅲ.Cash flows from financing activities				
Cash received from capital contribution				
Of which: cash received from capital contribution to subsidiaries by minority shareholders				
Cash received from borrowings				
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash flows from financing activities				
Cash repayments of amounts borrowed				
Cash paid interest expenses and distribution of dividends or profit				
Of which: stock dividends and profits paid to minority shareholders by subsidiaries.				
Payment of cash relating to other financing activities				
Subtotal of cash outflows from financing activities				
Net cash flows from financing activities				
Ⅳ. Effect of foreign exchanges on cash and cash equivalents				
Ⅴ. Net increase of cash and cash equivalents	11,362.18	11,362.18	-7,467.65	-7,467.65
Plus: beginning balance of cash and cash equivalents	10,064.11	10,064.11	61,725.75	61,725.75
Ⅵ. Closing balance of cash and cash equivalents	21,426.29	21,426.29	54,258.10	54,258.10

Legal representative: Xu Min

CFO: Wang Changsheng

Person in charge of Accounting Office: Li Lingling

Statement of Change in Owners' Equity (I)

Prepared by Shenzhen Benelux Enterprise Co., Ltd 30 Jun.2009 Unit: RMB Yuan

Items	Amount for the current period								
	Owners' equity attributable to parent company							Minority interests	Total of owners' equity
	Paid-up capital (or share capital)	Capital reserve	Lessen: treasury stock	Surplus public reserve	General risk reserve	Retained profits	Others		
I. Balance at the end of last year	60,500,000.00	34,791,680.54		31,716,564.50		-516,591,505.81			-389,583,260.77

Add: change of accounting policy									
Correction of errors in previous period									
II. Balance at the beginning of this year	60,500,000.00	34,791,680.54		31,716,564.50		-516,591,505.81			-389,583,260.77
III. Increase/ decrease of amount in this year ("-" means decrease)						-879,380.37			-879,380.37
(I) Net profit						-879,380.37			-879,380.37
(II) Gain/loss listed to owners' equity directly									
1. Net amount on changes in book value of financial assets available for sale									
2. Effect on changes in other owners' equity of invested units under equity method									
3. Effect on income tax related to items listed to owners' equity									
4. Others									
Subtotal of (I) and (II)						-879,380.37			-879,380.37
(III) Input an reduced capital of owners									
1. Input capital of owners									
2. Amount of Shares included in the owners' equity									
3. Others									
(IV) Profit distribution									
1. Withdrawing surplus public reserve									
2. Withdrawing general risk reserve									
3. Distribution to owners (shareholders)									
4. Other									

Items	Paid-up capital (or share capital)	Capital reserve	Lessen: treasury stock	Surplus public reserve	General risk reserve	Retained profits	Others	Minority interests	Total of owners' equity
(V)Internal carrying forward of owners' equity									
1. New increase of capital (share capital) from capital reserves									
2. Convert surplus reserves to capital(share capital)									
3. Surplus reserves make up losses									
4. Others									
IV. Balance at the end of this period	60,500,000.00	34,791,680.54		31,716,564.50		-517,470,886.18			-390,462,641.14

Legal representative: Xu Min
CFO: Wang Changsheng
Person in charge of Accounting Office: Li Lingling

Statement of Change in Owners' Equity (II)

Prepared by Shenzhen Benelux Enterprise Co., Ltd 30 Jun.2009 Unit: RMB Yuan

Items	Amount for the last year								
	Owners' equity attributable to parent company							Minority interests	Total of owners' equity
	Paid-up capital (or share capital)	Capital reserve	Lessen: treasury stock	Surplus public reserve	General risk reserve	Retained profits	Others		
I. Balance at the end of last year	60,500,000.00	34,791,680.54		31,716,564.50		-451,261,275.37			-324,253,030.33
Add: change of accounting policy									
Correction of errors in previous period									
II. Balance at the beginning of this year	60,500,000.00	34,791,680.54		31,716,564.50		-451,261,275.37			-324,253,030.33
III. Increase/ decrease of amount in this year ("-" means decrease)						-1,046,931.90			-1,046,931.90
(I) Net profit						-1,046,931.90			-1,046,931.90
(II) Gain/loss listed to owners' equity directly									

1. Net amount on changes in book value of financial assets available for sale									
2. Effect on changes in other owners' equity of invested units under equity method									
3. Effect on income tax related to items listed to owners' equity									
4. Others									
Subtotal of (I) and (II)						-1,046,931.90			-1,046,931.90
(III) Input an reduced capital of owners									
1. Input capital of owners									
2. Amount of Shares included in the owners' equity									
3. Others									
(IV) Profit distribution									
1. Withdrawing surplus public reserve									
2. Withdrawing general risk reserve									
3. Distribution to owners (shareholders)									
4. Other									
(V)Internal carrying forward of owners' equity									
1. New increase of capital (share capital) from capital reserves									
2. Convert surplus reserves to capital(share capital)									
3. Surplus reserves make up losses									
4. Others									

IV. Balance at the end of this period	60,500,000.00	34,791,680.54		31,716,564.50		-452,308,207.27			-325,299,962.23

Legal representative: Xu Min
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Instatement on Assets Depreciation Reserves

Prepared by Shenzhen Benelux Enterprise Co., Ltd 30 Jun.2009 Unit: RMB Yuan

Items	Book value at the year-begin	Withdrawn amount in current period	Decrease		Book value at the period-end
			Switching back	Write-off	
I. Provisions for bad debt	29,938,563.52				29,938,563.52
II. Provisions for depreciation of inventories					
III. Financial assets available for sale depreciation reserves					
IV. Depreciation reserves for investment holding to mature					
V. Depreciation reserves for long-term investment	118,724,144.40				118,724,144.40
VI. Provisions for depreciation of investment real estate					
VII. Fixed assets depreciation reserves					
VIII. Provisions for depreciation of engineer material					
IX. Construction in progress depreciation reserves					
X. Provisions for depreciation of productive biological assets					
Including: provisions for depreciation of mature productive biological assets					
XI. Gas assets depreciation reserves					
XII. Intangible assets depreciation reserves					
XIII. Good will depreciation reserves					
XIV. Others					
Total	148,662,707.92				148,662,707.92

Legal representative: Xu Min
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SHENZHEN BENELUX ENTERPRISE CO., LTD.
Notes to Financial Statement
For the First Six Months of 2009

（The following amount is expressed in RMB unless otherwise special explanation）

I. General Information

(1) Company outline

Shenzhen Benelux Enterprise Company Limited (the "Company") is former Shekou Benelux Electrical Chemical Manufacturing Co., Ltd., which was established on September 25, 1990 as a Sino-foreign joint venture company as approved by the Shenzhen Municipal Government with SFK (1990) No. 187. Pursuant to the approval granted by the Shenzhen Municipal Government on August 31, 1993, the Company was reorganized from a Sino-foreign joint venture company to a company limited by shares and changed its name to Shenzhen Benelux Enterprise Company Limited. (深圳本鲁克斯實業股份有限公司). Pursuant to the approval granted by the CSRC Shenzhen Securities Supervision Regulatory Office with SZBF (1994) No. 38 document, 13,000,000.00 B shares were offered publicly to foreign investors, which was listed on the Shenzhen Stock Exchange on 24 May 1994 with total share capital of 50,000,000.00 shares. The Company made registration again, and drew Business License for an Enterprise as a entity with Qi-Gu-He-Yue-Shen-Zong-Zi No. 101951.

Pursuant to the approval granted by the CSRC Shenzhen Securities Supervision Regulatory Office with (1996) No. 56, dividend for the year 1995 was distributed and share capital of 5 million was transferred from capital reserve on 15 July 1996. via approval from the CSRC Shenzhen Securities Supervision Regulatory Office with SZBF (1997) No. 104 on 12 August 1997, the Company distributed 10 bonus shares for every 10 shares to all shareholders based on share capital of 55,000,000 as at the end of the year 1996. Ended 2007, share capital of the Company was 60,500,000.00 shares.

(2) Business scope: Production of floppy disc and other magnetic record products, as well as plastic fittings, all kinds of sound recording and video tape magazine, Spare and accessory parts and relevant electronic products, plastic products and toy, subpackage of blank audio tape and video tape. Production of digital transmission, digital supervision,

controller regulator and relevant electronic products, instruments and meters and other parts (excluding projects restricted by the State). The Company is engaged in technological studies, development and application, production and operation of electronic products and electric appliances (excluding products subject to quota and/or licensing control), and all these products exported for sales. The Company also launches information consultation business.
Additionally, production and operation of correction tool, double faced adhesive tape tool

II. Preparation basis of the financial statements
On the going-concern basis

III. Statement for complying with the accounting standard for business enterprise
The financial statements prepared by the Company are in compliance with the requirements of the accounting standard for business enterprise-basic standard and other accounting standards promulgated by the Ministry of Finance of PRC, and have reflected the Company's financial status, operating results and cash flows in an accurate and complete way.

IV. The main accounting policies, accounting estimates adopted by the Company and preparation method of consolidated financial statement
1. Accounting period
The accounting year of the Company is from January 1 to December 31.

2. Functional currency
The Company adopts Renminbi as a functional currency.

3. Accounting recognition, measurement, and reporting basis and pricing principles
Based on the accrual system and going-concern, accounting recognition, measurement and reporting are made, and accounting is settled by stage and financial statement is prepared.
The Company generally adopts historical cost as the accounting basis. But under the situation that accounting elements accord with the requirements of Accounting Standard for Business Enterprise, and fair value can be obtained in a reliable way, fair value shall be adopted in terms of financial instrument, non-control business combination, debts restructuring and non-monetary assets exchange.

4. Recognition standard for cash and cash equivalents in the cash flow statement
The cash of the Company refers to cash on hand and deposits that are available for payment at any time.
The cash equivalents refers to short-term (usually due within 3 months since the day of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5. Foreign currency

As for a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at an exchange rate which is approximate to the spot exchange rate of the transaction date. An approximate to the spot exchange refers to exchange rate at the beginning of current month of the transaction date.

As at the balance sheet date, the foreign currency monetary items shall be adjusted at the spot exchange rate on the balance sheet date, from which translation balance occurred, for those still under construction, those amount shall be recorded as long-term expenses to be apportioned, while, the exchange gains and losses that have been caused by loans for purchase of fixed assets shall be dealt with according to the principle of capitalization of borrowing expenses, other shall be recorded into gains and losses of current period. The foreign currency non-monetary items measured at the fair value cost shall still be translated at the spot exchange rate on the determination date of fair value, from which translation balance shall be dealt with as gains and losses of change in fair value. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

6. Translation of foreign currency financial statements

When translating the financial statements on the overseas businesses, the asset, liability and gains and losses items in the balance sheets shall be translated into the functional currency of parent company at a spot exchange rate on the balance sheet date of the consolidated financial statement. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated into the functional currency of parent company at the spot exchange rate at the time when they are incurred. The balance arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity item of the balance sheets. When disposing an overseas business, the Company shall shift the balance, which arises from the translation of foreign currency financial statements related to this oversea business, into the disposal profits and losses of the current period.

7. Financial assets and financial liabilities

Classification of Financial Assets and Financial Liabilities

Financial assets shall be classified into the following four categories when they are initially recognized: a. the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; b. the investments which will be held to their maturity; c. loans and the account receivables; and d. financial assets available for sale.

Financial liabilities shall be classified into the following two categories when they are initially recognized: a. the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and b. other financial liabilities.

Recognition of Financial Instruments and subsequent measurement

The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

The Company shall make subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances shall be excluded:

a. The investments held until their maturity, loans and accounts receivable shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method;

b. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

The Company shall make subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances:

a. For the financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values,

b. For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs.

Determination of fair value of financial instrument

As for the financial instrument for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

Recognition and measurement of Transfer of Financial Assets

The term "transfer of a financial asset" refers to an enterprise's (the transferor's) transferring or delivering a financial asset to a party other than the issuer of the financial asset (the transferee).

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

If the transfer of the financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profits and losses of the current period:(1)The book value of the transferred financial asset;(2)The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale). If the Company fails to satisfy the conditions to stop the recognition, it shall still recognize the transferred financial asset, and the consideration received shall be recognized as financial liabilities.

Impairment of financial assets

The Company shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

The objective evidences that can prove the impairment of a financial asset shall include:

a. A serious financial difficulty occurs to the issuer or debtor;

b. The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

c. The creditor makes any concession to the debtor which is in financial difficulties due to economic or legal factors, etc.;

d. The debtor will probably become bankrupt or carry out other financial reorganizations;

e. The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

f. Where the fair value of the equity instrument investment drops significantly or not contemporarily;

g. Other objective evidences showing the impairment of the financial asset.

(1) Measurement of impairment loss for Held-to-maturity investment, loan and accounts receivable

As to held-to-maturity investment and loan, where a financial asset measured on the basis of post-amortization costs is impaired, impairment loss shall be recognized in the light of the balance that the current value of the future cash flow is lower than book value, and such balance shall be recorded into the profits and losses of the current period.

An impairment test shall be made on the financial assets with significant single amounts. If any objective evidence shows that it has been impaired, the impairment-related losses shall be recognized. With regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, where, upon independent test, the financial asset has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test.

Where any financial asset measured on the basis of post-amortization costs is recognized as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period.

(2) As to measurement of impairment loss for accounts receivable shall be stated in bad debt reserve.

(3) Measurement of impairment loss for available-for-sale financial assets

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

Where the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, whose impairment loss shall be recognized in the light of balance that the current value of the future cash flow is lower than book value, and such balance shall be recorded into the profits and losses of the current period. Such impairment-related losses incurred may not be reversed in the coming accounting period.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period.

8. Bad debts reserve

Recognition standard of bad debts

a. Those accounts receivable that are still unable to be drawn back after the debtors discharge the aforesaid accounts with the bankruptcy properties if they are belly-up or with the legacies when they are dead,

b. the debtors has not fulfilled their repayment duty after the expiration day, and there are obvious signs indicating that the accounts receivable really cannot be recovered or the accounts receivable really cannot be recovered even over 3 years shall be recognized as bad debts.

Withdrawal method of provision for bad debt

Bad debts of the Company shall be measured based on the allowance method.

The Company performs impairment test for receivables and provide provision for impairment loss of receivables at each balance sheet date. For the individually significant receivables, the impairment test is carried on individually. If there is objective evidence that an impairment loss on loans and receivables, the Company provides provision for impairment loss for the amount which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. For the receivables which are not individually significant or the individually significant receivables which are not determined for impairment, the Company assesses the asset in a group of financial assets with similar credit risk characteristics and collectively provide them for provision of impairment according to certain percentage of the total receivables at the balance sheet date.

Percentage of provision for bad debt of receivables

Aging of receivables	Percentage of provision for bad debt
Within 1 year	3%
1-2 years	5%
2-3 years	10%
3-5 years	30%
Over 5 years	40%

9. Inventory

Classification of inventory

The term "inventories" refers to finished products or merchandise possessed by an enterprise for sale in the daily of business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. The inventories include the following four categories: raw materials (including auxiliary materials), work-in-progress products, Low-value consumption goods and finished goods.

Measurement of inventory

The Company adopts perpetual inventory system for its inventory taking. Finished materials shall be measured at actual cost when obtained, while the Company shall confirm the actual cost of sending out inventories by employing the first-in-first-out method. Low-value consumption goods shall be fully amortized when they are required and delivered; materials in consignors shall be measured in the light of amortization method by stage.

Withdrawal method of provision for falling price of inventory

At the end of term, basing on full range inventory checking, such inventories that those are timeworn or its sale price is lower than its cost, shall be measured whichever is lower in accordance with the cost and the net realizable value, and shall be withdrawn provision for loss on decline in value of inventories on the ground of each item of inventories, which is recorded into profits and losses of the current period. The Company shall confirm the net realizable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet, also influence on net realizable value due to the future matters.

The net realizable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

10. Long-term equity investment

Measurement of long-term equity investment

(1) The initial cost of the long-term equity investment formed in the merger of an

enterprise shall be ascertained in accordance with the following provisions:

A. For the merger of enterprises under the same control, if the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bear its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

B. For the merger under different control, merger costs ascertained in accordance with the following provisions as the initial cost of the long-term equity investment.

a. For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree.

b. For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.

c. All relevant direct costs incurred to the acquirer for the business combination shall also be recorded into the cost of business combination.

d. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

(2) Besides the long-term equity investments formed by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:

a. The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

b. The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

c. The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

d. As to long-term investment obtained by the exchange of non-monetary assets, where a non-monetary assets transaction satisfies the conditions that the transaction is commercial in nature, the initial cost of long-term equity investment received shall be regarded in the light of the fair value of the assets and relevant payable taxes, where a non-monetary assets transaction satisfies the conditions that the transaction is not commercial in nature, the initial cost of long-term equity investment received shall be regarded in the light of the book value of the assets surrendered and relevant payable taxes.

e. As to a long-term equity investment obtained by recombination of liabilities, its initial cost shall be recognized in the light of fair value of the assets and relevant payable taxes.

Recognition of income

The following long-term equity investments shall be measured by employing the cost method: (1) A long-term equity investment of an investing enterprise that is able to control the invested enterprise, and (2) A long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured.

A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured by employing the equity method.

As to long-term equity investment measured by employing the cost method, the dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income. The investment income recognized by the investing enterprise shall be limited to the amount received from the accumulative net profits that arise after the invested entity has accepted the investment. Where the amount of profits or cash dividends obtained by the investing entity exceeds the aforesaid amount, it shall be regarded as recovery of initial investment cost to offset book value of such investment.

As to long-term equity investment measured by employing the equity method, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly.

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses.

11. Fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (1) They are held for the sake of producing commodities, rendering labor service, renting or business management; and (2) Their useful life is in excess of one fiscal year.

The initial measurement of a fixed asset shall be made at its cost. The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freights, loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset. The expected discard expenses should be taken into consideration in the ascertainment of the cost of a fixed asset. Subsequent expenditure relating to a fixed asset is added to the carrying amount of the asset when the expenditure qualifies for capitalization. Subsequent expenditure that does not qualify for capitalization is recognized as an expense.

The depreciation method adopted by the Company is straight-line method. Depreciation rate shall be determined in terms of original value, expected useful life and expected net salvage value (expected net salvage value is 10% of original value). For a fixed asset, the provision for impairment has been made, it shall be calculated again to determine depreciation rate in terms of such asset's useful life, expected net salvage value when it is withdrawn depreciation. For a fixed asset, the provision for impairment has been made fully, its depreciation shall not be made. The categories of depreciation rate are shown as followings:

Categories	Expected useful life (years)	Annual depreciation rate (%)
Property and building	20-30	4.5-3
Machinery equipment	12-15	7.5-6
Transportation equipment	5	18
Electrical equipment	5	18
Other	10	9

Where a fixed asset that it is unable to bring about income or it is not be used temporarily (except for seasonal outage) is regarded as idle fixed asset. Expected useful life and depreciation rate of idle fixed asset need to be estimated again. Relevant depreciation shall be recorded into the profits and losses of the current period.

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred. A fixed asset acquired under finance lease is valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease, adding the initial expense belonged to lease items directly, the minimum lease payments shall be valued as long-term account payable, the balance shall be unacknowledged financial charges. Unacknowledged financial charges shall be amortized in the light of effective interest method within leasing period. Depreciation rate of a fixed asset acquired under lease shall be recognized in the light of leasing period and estimated net salvage value, withdrawing depreciation.

The fixed assets it holds for sale is recorded at the lower of book value and fair value reducing disposal expense. The amount that fair value reducing disposal expense is lower than book value shall be recognized as impairment loss of assets.

Where a fixed asset meets either of the conditions as follows, the recognition of it as a fixed asset shall be terminated: a. The fixed asset is in a state of disposal; or b. The fixed asset is unable to generate any economic benefits through use or disposal as expected.

When the Company sells, transfers or discards any fixed asset, or when any fixed asset of an enterprise is damaged or destroyed, the enterprise shall deduct the book value and relevant taxes from the disposal income, and include the amount in the current profits and losses.

12. Construction in progress

Construction in progress refers to properties under construction and equipment, as well as other fixed assets, which shall be valued at actual cost. It also includes borrowing costs eligible for capitalization and gain or loss of exchange difference. The Company transfers construction in progress to fixed assets when the project is completed or the project is available for use.

13. Intangible assets

Being derived from any contractual right or other statutory rights, its useful lift shall be deadline of contractual right or other statutory rights. With any contractual right or other statutory rights that it shall be continued due to renewal of an agreement when maturity, the renewals shall be the useful life. The useful life fails to be stipulated in the any law and contract, where intangible asset can bring economic benefits to the Company, but the Company unable to reasonability confirm period of economic benefits to the Company from intangible assets, such intangible asset shall be regarded as an intangible asset with uncertain service life.

The development expenditures for its internal research and development projects of an enterprise may be confirmed as intangible assets when they satisfy the following conditions simultaneously:(1)It is feasible technically to finish intangible assets for use or sale;(2)It is intended to finish and use or sell the intangible assets;(3)The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;(4)It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and(5)The development expenditures of the intangible assets can be reliably measured.

With regard to intangible assets with limited service life shall be amortized by the straight-line method within its service life.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. If carrying amount of an asset is higher than its recoverable amount, the carrying amount of this asset should be written down to its recoverable amount with the difference recognized as impairment loss and charged to profit or loss accordingly. Simultaneously a provision for impairment loss should be made.

14. Goodwill

The balance that cost of equity investment is more than the fair value of the invested entity’s being should enjoy, or in a business combination not under the same control, the acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill.

The goodwill formed by merger of enterprises shall be listed separately in the consolidated financial. The balance that cost of equity investment is more than the fair value of the invested entity’s being should enjoy when purchased affiliated enterprises and associated enterprises shall be included into long-term equity investment.

15. Long-term deferred expense

long-term deferred expense refers to those expenses that the Company has paid with amortization period over one year. Long-term deferred expense shall be amortized averagely by stage within benefit period. With long-term deferred expense that it is unable to benefit in the future accounting period, its amortization value shall be recorded into the profits and losses of the current period.

16. Impairment of assets

Except for inventories, financial assets and deferred income tax assets, the Company shall adopt the following methods to make impairment loss:

On the balance sheet date, the Company shall make an impairment test to those assets that they have been or will be left unused, or terminated for use, the current market price of assets falls, outsaid environment have any significant change. Impairment loss shall be recognized in the light of the balance that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset, and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. No matter whether there is any sign of possible assets impairment, the goodwill formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods.

Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods

Treatment of Impairment of goodwill: The business reputation shall, together with the related asset group or combination of asset group, be subject to the impairment test. The Company shall apportion the carrying value of goodwill to the relevant asset groups or combinations of asset by a reasonable method. When making an impairment test, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing goodwill, and recognize the corresponding impairment loss. Then the enterprise shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and recognize the impairment loss of the goodwill.

17. Recognition of group assets

Recognition of assets group

The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets, and combining the ways of management and production of business activities and the ways of decision-making for the continuous use or disposal of the assets.

Impairment of assets group

a. The basis for the determination of the carrying value of an asset group shall be the

same as that for the determination of the recoverable amount.
b. The carrying value of an asset group shall include the carrying value that may be directly attributed to or may be reasonably and consistently distributed to the asset group. Generally it shall not include the carrying value of liability that has already been recognized, unless it is unable to determine the recoverable amount of the asset group if not considering the amount of liability.
c. The recoverable amount of an asset group shall be determined on the basis of the higher one of the net amount of the fair value of the asset minus the disposal expenses and the current value of the expected future cash flow of the asset.
d. The Company shall, on the balance sheet date, conduct an impairment test on asset group. Where the recoverable amount of an asset group or a combination of asset groups is lower than its carrying value, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying value of the headquarter' assets and business reputation which are apportioned to the asset group or combination of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded. The charges against the carrying value of the assets above shall be treated as the impairment loss of the assets and recorded as profit or loss for the current period. The carrying value of each asset after charging against shall not be lower than the highest one of the following three: the net amount of the fair value of the asset minus the disposal expenses, the current value of the expected future cash flow of the asset, and zero. The amount of impairment loss that cannot be apportioned incurred thereby shall be apportioned on the basis of the weight of the carrying value of other assets in the relevant asset group or combination of the asset groups.
18. Borrowing cost
The term "borrowing costs" refers to the interest and other relevant costs, which are incurred by an enterprise in the borrowing of loans. The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings.
Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories (acquisition and construction or production procedure is over one year) and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.
The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:
a. The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
b. The borrowing costs has already incurred; and

c. The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs shall be recognized as expenses, till the acquisition and construction or production of the asset restarts. When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses at the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

During the period of capitalization, capitalization amount shall be recognized according to the following provisions (1) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.(2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

19. Revenue

(1) Construction contracts can be measured in a reliable way, revenue and expense of contracts shall be recognized in the light of the percentage-of-completion method. The term "percentage-of-completion method" refers to a method to recognize the revenues and expenses in the light of the stage of completion under a transaction concerning the providing of labor services. In accordance with such method, revenue of the contracts shall match with cost of the contracts incurred for reaching the schedule of completion to reflect revenue, expense and gross profit of the contracts completed of in the current period.

The Company shall chose one of the following methods to confirm the schedule of completion:

a. Proportion of accumulative cost of the contracts incurred against fact in total expected cost;

b. The measurement of the work completed.

The Company shall mainly adopt the first method to recognize the schedule of completion. When the Company is unable to recognize the schedule of completion in the light of the first method, the Company shall adopt the second method.
Two calculation measures for recognition of revenue based on percentage-of-completion method
a. To confirm the schedule of completion of the contract to calculate percentage-of-completion
Calculation formula: percentage-of-completion=accumulative cost of the contract incurred actually/total expected cost of the contract*100%
b. To measure and recognize revenue and expense of the current period based on percentage-of-completion
Calculation formula:
Revenue of the contract recognized in the current period=(total revenue of the contract*the schedule of completion) – accumulative revenue recognized over the past accounting fiscal
Gross profit of the contract recognized in the current period=(total revenue of the contract - total expected cost of the contract) *the schedule of completion - accumulative gross profit recognized over the past accounting fiscal
Expense of the contract recognized in the current period=revenue of the contract recognized in the current period - Gross profit of the contract recognized in the current period – expected provision for loss over the past accounting fiscal
(2) Construction contracts cannot be measured in a reliable way, it shall be conducted in accordance with the following circumstances, respectively
a. When the outcome of a construction contract cannot be estimated reliably and contract costs are expected to be recoverable, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as an expense in the period in which they are incurred.
b. Contract costs that are not probable of being recovered are recognized as an expense immediately and no revenue is recognized.
If the accumulative estimated contract costs exceed the contract revenue, an estimated loss should be recognized as an expense during the current financial period.

20. Government grants
A government grants refers to the monetary or non-monetary assets obtained free by an enterprise from the government.
The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be recognized as deferred income or shall be recorded in the current profits and losses.

21. Income tax
The Company adopts the balance sheet liability method for corporate income taxes.
Income tax includes the current income and deferred income tax. The goodwill formed from merger enterprise or transaction or events recorded directly into owners’ equity are

measured into owners' equity. Except for this, other shall be recorded into profits and losses of the current period as income tax expense.

Recognition of deferred income tax assets

Where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized, except that deductible temporary differences are formed in the following transactions:

a. The transaction is not business combination; At the time of transaction, the accounting profits will not be affected, nor will the taxable amount;

b. Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:(1)The temporary differences are likely to be reversed in the expected future; and(2)It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following transactions, an enterprise shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

a. the initial recognition of business reputation; or the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:(a) The transaction is not business combination;(b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

b. The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:(1)The investing enterprise can control the time of the reverse of temporary differences; and(2)The temporary differences are unlikely to be reversed in the excepted future.

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled, shall reflect the effect of the expected asset recovery or liability settlement method on the balance sheet day on the income taxes.

Impairment of deferred income tax assets

The carrying amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

22. Profit distribution

The Company shall distribute profit after tax in accordance with the following order:

(1) Making up losses of last year;
(2) Appropriating statutory reserve (10%)
(3) Appropriating arbitrary reserve
(4) Paying dividend to the shareholder.

The company may stop appropriating if the accumulative balance of the statutory reserve has already accounted for over 50% of the company's registered capital. After appropriating statutory reserve, whether the Company appropriates arbitrary reserve or not shall be decided by the Shareholders' General Meeting. The Company shall not distribute profit to the shareholder before making up losses and appropriating statutory reserve.

23. Preparation basis of consolidated financial statement and method

Where the Company can exercise control over all subsidiaries, they shall be incorporated into the consolidated range.

Where the accounting policies adopted by the subsidiaries are in conflict with those of the parent company, the adjustment shall be made in accordance with the accounting policies of the parent company for consolidation.

As regards the subsidiaries to be acquired upon business merger under the same control, the revenues, expenses, profits and cash flows of the subsidiaries from the beginning of the current merging period to the end of report period shall be included in the consolidated profit statement and the consolidated cash flow statement.

As regards the subsidiaries to be acquired upon business merger under different control, the revenues, expenses, profits and cash flows of the subsidiaries from the merging date to the end of report period shall be included in the consolidated profit statement and the consolidated cash flow statement.

V. Changing of accounting policies and accounting estimates and error correction

1. Changing of accounting policies

No

2. Changing of accounting estimate

No

3. Accounting error correction

No

VI. Taxation

Type of taxation	Tax base	Tax rate
VAT	Income from product and service selling	17%
Urban maintenance and construction tax	Value Added Tax	7%
Extra-charges for Education	Value Added Tax	3%
Corporate income tax	Turnover tax payable	15%

VII. Shareholding subsidiaries, joint venture enterprises and affiliated enterprises

1. the shareholding subsidiaries of the Company are as follows:：

Name of subsidiaries	Place of incorporation	Registered capital (RMB)	Percentage of equity interest held Direct	Indirect	Main business	Combination
Shenzhen Benelux Simulation & Control Ltd.	Shenzhen	9,000,000.00	91.10%	8,200,000.00	Technology development of simulation system control	No
Shenzhen Houyuan Medical Instrument Co., Ltd	Shenzhen	6,000,000.00	75％	4,500,000.00	Distribution of medical instruments and clinical products	No
Wuhan Rui De Biological Products Co., Ltd.	Wuhan	45,840,000.00	99％	45,380,000.00	Manufacture of biological and blood products	No

2. Wuhan Rui De Biological Products Co., Ltd. ("Rui De Company"):

2.1 The Company has mortgaged its 99% equity of Rui De Company to Shenzhen Development Bank, the said equity has been seized by Shenzhen Nanshan District People's Court. On 28 Mar. 2006, Shenzhen Nanshan District People's Court issued a Notice with (2005) SNFZ Zi 1484, which the Court decided to appraise and auction 99% equity of Rui De Company held by the Company. Through appraisal by Shenzhen Rongze Assets Appraisal Land and Real Estates Appraisal Co., Ltd. with appraisal value of RMB 24,117.00.

On 22 Nov. 2006, Shenzhen Nanshan District People's Court continually seized the said equity from 22 Nov. 2006 to 21 Nov. 2007.

On 17 Jan. 2006, the Company provided a guarantee for a loan of RMB 35 million from Huaxia Bank Guangzhou Branch to Shenzhen Houyuan Medical Instrument Co., Ltd (a subsidiary company of the Company). Because Houyuan Medical Instrument Co., Ltd failed to repay such loan on maturity, therefore, Huaxia Bank Guangzhou Branch proposed an application for preservation of property and required the Court to seize the properties of the Company. Guangzhou Intermediate People's Court sealed up 99% equity of Rui De Company from 8 Feb. 2006 to 7 Feb. 2008.

2.2 On 8 May 2006, the 1st Extraordinary Shareholders Genera Meeting 2006 of the Company passed the relevant resolutions on liquidating and Disposing Equity of Rui De Company.

2. 3 On 21 December 2006, the Board of Directors of the Company made a resolution, which the Company agreed to trust its 99% equity of Rui De Company to Wuhan Zhongyuan Industrial Group Development Co., Ltd. ("Wuhan Zhongyuan Company") in order to resolve guarantee responsibility issue between the Company and Wuhan Zhongyuan Company with Wuhan Zhongyuan Company giving up claiming any debts and contingent guarantee debt as premise, and according to the resolution on disposing subsidiary made at the 1st Extraordinary Shareholders Genera Meeting 2006 of the Company. Wuhan Zhongyuan Company enjoys the corresponding shareholders' equity of Rui De Company. After maturity of transfer condition, the Company will transfer its equity of Rui De Company to Wuhan Zhongyuan Company. The Company implements the corresponding guarantee responsibility after transferring its equity of Rui De Company

according to the relevant agreement.

2.4 The Company received the Notice on Releasing Trusteeship with Time Limit with SNFZ Zi (2005) No. 1484 from Shenzhen Nanshan District People's Court ("Nanshan Court") on 18 Apr. 2007, the Company will handle such trusteeship matter with Nanshan Court according to relevant National laws, rules and regulations. Up to the reporting date, the Company did not receive punishment file from Nanshan Court.

3. Shenzhen Houyuan Medical Instrument Co., Ltd：

3.1 On 8 May 2006, the 1st Extraordinary Shareholders Genera Meeting 2006 of the Company passed the relevant resolutions on liquidating and Disposing Equity of Houyuan Company.

3.2 The Company undertook joint responsibility for guarantee provided by it for Weiyu (Hong Kong) Co., Ltd. and Gangyu Industrial Co., Ltd. handled documentary letter of credit in Industrial and Commercial Bank of China Shenzhen Branch (such creditor's right has been transferred to China Orient Asset Management Corporation Shenzhen Office). Shenzhen Office sued the Court to seal up 75% equity of Houyuan Company held by the Company. On 15 Aug. 2006, the Company received the notice from Guangdong Shanwei Intermediate People's Court, in which the Court decided to make a appraisal to 75% equity of Houyuan Company held by the Company. The relevant procedure is under process.

4.Shenzhen Benelux Simulation & Control Ltd. ("Simulation Company")：

Due to dispute case of technology service contract, the only property of Simulation Company was sealed up and auctioned by Hangdong Intermediate People's Court. The actual principal of Simulation Company resigned from the post by himself under the situation that he did not implement any transfer procedure. And the relevant accounting books were taken away by him. Simulation Company stopped its main operation since 2004, and stayed in shutout status after its property was auctioned. Business license of Simulation Company has been expired on 1 Feb. 2006, and the said failed to make annual inspection from 2004 to 2006. On 8 May 2006, the 1st Extraordinary Shareholders Genera Meeting 2006 of the Company passed the relevant resolutions on liquidating and Disposing Equity of Simulation Company. In June 2004, with (2003) WZ Zi No. 00188, Wuhan Intermediate People's Court froze 91.11% equity of Simulation Company held by the Company with lockout period from Jun. 2004 to Jun. 2006.

Due to above-mentioned situations (without control or shutout), the 1st Extraordinary Shareholders Genera Meeting 2006 of the Company passed the relevant resolutions on liquidating and Disposing Equity of Simulation Company. Since 1 Jan. 2005, the said three companies were not brought into the consolidated accounting statement of the Company.

VIII. Notes to financial statement

1. Monetary funds

Item	30 Jun. 2009			1 Jan. 2009		
	Currency	Original currency	Exchange rate amount	Currency	Original currency	Exchange rate amount
Cash			21,213.54			6,819.93
Including: RMB			21,213.54			6,819.93

Item	30 Jun. 2009			1 Jan. 2009		
	Currency	Original currency	Exchange rate amount	Currency	Original currency	Exchange rate amount
HKD						
Bank deposit			212.74			3,244.18
Including: RMB			119.72			3,151.15
USD						
HKD		105.48	93.02	105.48		93.03
Total			21426.28			10,064.11

2. Accounts receivable

(1) Category by aging:

Aging	30 Jun. 2009			1 Jan. 2009		
	Amount	Proportion (%)	Bad debt reserve	Amount	Proportion (%)	Bad debt reserve
Within 1 year						
1-2 years						
2-3 years						
3-4 years						
4-5 years				7,273,435.82	72.64%	7,273,435.82
Over 5 years	10,013,043.83	100.00%	10,013,043.83	2,739,608.01	27.36%	2,739,608.01
Total	10,013,043.83	100.00%	10,013,043.83	10,013,043.83	100.00%	10,013,043.83

(2) As at 30 June 2009, the total amount of the top five debtors RMB 9,907,691.15, accounting for 98.95% against total accounts receivable.

(3) There was no accounts receivable from shareholders holding over 5% of the voting shares of the Company.

(4) The top five debtors as at 30 June 2009

Entities	Amount	Content
Hong Kong Yizhuo (Asian) Co., Ltd.	7,273,435.82	Payment for goods
Shenzhen Guowei Electrical Co., Ltd.	1,668,157.69	Payment for goods
Shenzhen Longsheng Industrial Co., Ltd	572,476.63	Payment for goods
Allied and Associated Enterprises (H.K.)	200,935.56	Payment for goods
Shenzhen Aixun Electrical Co., Ltd.	192,685.45	Payment for goods

Total	9,907,691.15	Payment for goods

3. Other receivables

(1) Category by aging:

Aging	30 Jun. 2009			1 Jan. 2009		
	Amount	Proportion (%)	Bad debt reserve	Amount	Proportion (%)	Bad debt reserve
Within 1 year	20,271.77	0.10	600.00	20,000.00	0.10%	600.00
1-2 years	30,000.00	0.15	1,500.00	30,000.00	0.15%	1,500.00
2-3 years	134,844.34	0.68	134,844.34	134,844.34	0.68%	134,844.34
3-4 years	178,060.45	0.89%	178,060.45	178,060.45	0.89%	178,060.45
4-5 years	1,304,666.37	6.53%	1,304,666.37	1,304,666.37	6.53%	1,304,666.37
Over 5 years	18,305,848.53	91.65%	18,305,848.53	18,305,848.53	91.65%	18,305,848.53
Total	19973691.46		19,925,519.69	19,973,419.69	100%	19,925,519.69

（2） The top five debtors as at 30 Jun. 2009

Entities	Amount	Content
Shenzhen Houyuan Medical Instrument Co.,	16,886,981.74	Current payment (over 5 years)）
Shiyun International Group (H.K.) Ltd	2,567,029.16	Arrearages (over 5 years)
Beijing Shengda Law Firm	134,044.34	Unbalanced payment (2
Huang Xianfeng	129,314.15	Arrearages (over 3 years)
Li Mian	55,000.00	Arrearages (over 5 years)
Total	19,772,369.39	

As at 30 June 2009, the total amount of the top five debtors RMB 19,947,369.39, accounting for 99.09% against total other receivables.

(3) In the balance as at 30 June 2009, there was no other receivable from shareholders holding over 5% of the voting shares of the Company.

(4) Among closing balance, Shenzhen Houyuan Medical Instrument Co., Ltd, a subsidiary company of the Company, owed the Company RMB 16,868,981.74, the Company had withdrawn bad debt reserve amounting to RMB 5,066,094.52.

4. Long-term equity investment

Items	30 Jun. 2009			1 Jan. 2009		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Long-term equity investment	118,724,144.40	118,724,144.40	-	118,724,144.40	118,724,144.40	-

5. Fixed assets

Name	2009-1-1	Increase	Decrease	2009-6-30
Original value of fixed assets				
House and building	22,865,489.68			22,865,489.68
Transportation equipment	280,000.00			280,000.00
Total	23,145,489.68			23,145,489.68
Accumulative depreciation				
House and building	12,356,980.80	396,050.70		12,753,031.50
Transportation equipment	200,700.00	8,100.00		208,800.00
Total	12,557,680.80	404,150.70		12,961,831.50
Net value	10,587,808.88			10,183,658.18
Provision for impairment of fixed assets				
Net amount	10,587,808.88			10,183,658.18

(1) There are 15 real estates in houses and buildings of the Company, namely the first floor of Block B of Zhongxing Industry Park, B3—102 and C1—701 Shenzhen Haichang Building, C4—504 of Shenzhen Linyuan Building, 201, 202, 301, 302, 401, 402, 502, 601, 602, 701 and 702 in Unit 4 of No. 5 Building of Block A at the Bandao Garden, whose original value is RMB 6,270,271.00 as well as net value of RMB 3,459,119.13, has been mortgaged to China Everbrigh Bank Shenzhen Branch, so as to gain a loan of RMB 6,990,000.00. Because the Company provided guarantee for a loan from Huaxia Bank Guangzhou Branch to Shenzhen Houyuan Medical Instrument Co., Ltd (a subsidiary company of the Company), therefore, Guangzhou Intermediate People's Court has seized the above-mentioned real estates and properties.

(2) In houses and buildings of the Company, the Company did not have house property certificates of such properties as No. 16 and 22 Building of Nanyou B Block, Zizu Garden and No. 109 workshop without seal and pledge. The original value and net value of the above-mentioned properties is respectively RMB 3,158,999.00 and RMB 1,146,857.78.

(3) In accordance with Notice on Sealing, Seizing and Freezing with (2002) SNFZ Zi No. 3171 from Shenzhen Nanshan District People's Court on 12 Apr. 2007 the Court seized continually 78 properties in the rest houses and buildings properties on 5 Feb. 2007 except for properties mentioned in (1) and (2) with book original value of RMB 13,436,219.68 and net value of RMB 7,697,099.79 from 5 Feb. 2007 to 4 Feb. 2008, because Industrial and Commercial Bank of China Shekou Subbranch (relevant creditor's rights has been transferred to natural persons such as Shi Ming by China Orient Asset Management Corporation Shenzhen Office) and Shenzhen Development Bank Shekou Subbranch sued the Company for failing to reimbursement obligation.

6. Short-term borrowing

Borrowing	2009-6-30	2009-1-1	Remark
Mortgage loan *1	6,990,000.00	6,990,000.00	China Evenbright Bank Shenzhen Branch
Total	6,990,000.00	6,990,000.00	

(1) Such payment is guaranteed by Shenzhen Taifeng Electrical Co., Ltd.. Mortgage with 15 real estates including workshop located in Shenzhen Zhongxing Industrial Park (please refer Note 8 (5) for details) and the part of properties from Shekou Hansheng Electrical Co., Ltd. (the former principal shareholder) is overdue. On 19 May 2006, Guangdong Shenzhen Futian District People's Court made the judgment with Civil Judgment (2006) SFFMEC Zi No. 985, which the Court requested the Company to repay principal of RMB 6,990,000.00 and relevant interests of RMB 769,262.73. if the Company is unable to execute reimbursement obligation within a prescribed time limit, then China Everbright Bank Shenzhen Branch is entitled to dispoal real estates mortgaged (including the part of properties of Shekou Hansheng Electrical Co., Ltd.) and enjoys priority right, the short part is discharged by Shenzhen Taifeng Electrical Co., Ltd. jointly.

7. Accounts payable

Aging	2009-6-30		2009-1-1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year				
1-2 years				
2-3 years				
Over 3 years	136,282.84	100.00	136,282.84	100.00
Total	136,282.84	100.00	136,282.84	100.00

(1) There was no accounts payable from shareholders holding over 5% of the voting shares of the Company.

8. Taxes payable

Type of tax	2009-6-30	2009-1-1
Business tax		377,961.80
Urban maintenance and construction tax		3,779.61
Extra charge for education		
Individual income tax		
Corporate income tax		-38,755.57
Property tax		1,305,229.86
Total		1,648,214.98

9. **Other accounts payable**

Aging	2009-6-30		2009-1-1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	282,428.62	0.38	396,588.07	0.53
1-2 years	396,588.07	0.53	4,000.00	0.01

2-3 years	63,833,312.74	85.87	63,829,312.74	86.19
Over 3 years	9,827,871.61	13.22	9,827,871.61	13.27
Total	74,340,201.04	100.00	74,057,772.42	100.00

(1) The arrearage in other accounts payable at the year-end owned the former first largest shareholders and current the forth largest shareholders, Shekou Hansheng Electrics Co., Ltd. amounted to RMB 4,696,367.81.

(2) The arrearage in balance of other accounts payable at the year-end owned the controlling subsidiaries of the Company; Wuhan Ruede Bioligical Products Co., Ltd. amounted to RMB 2,992,000.00.

(3) In other accounts payable: the principal of short-term borrowings amounting to RMB 33,774,347.31 and the interests of expense withdrew amounting to RMB29,746,565.43 was transferred into this subject, because the China Orient Asset Management Corp. signed the Creditor's Rights Transfer Agreement with Shi Ming etc. four person in total, all USD and RMB borrowings of the Company was transferred to Shi Ming etc. four person.

10. Accrued expenses

Items	2009-6-30	2009-1-1	Reason
Interests	3,793,046.70	3,588,611.70	Accrual

11. Accrued liabilities

Item	Creditor	2009-6-31	2008-12-31	Expected reason
Compensation for guarantee	China Orient Asset Management Corp. Shenzhen Office	184, 730, 783. 61	184, 730, 783. 61	*1
Compensation for guarantee	China Everbright Bank, Wuhan Xinhua Road Brance	10, 648, 722. 50	10, 648, 722. 50	*2
Compensation for guarantee	Huaxia Bank, Beijing Chaoyangmen Branch	5, 584, 790. 31	5, 584, 790. 31	*3
Compensation for guarantee	Tianjin The Leader Group Co., Ltd.	1, 946, 335. 00	1, 946, 335. 00	*4
Compensation for guarantee	Agricultural Bank of China, Wuhan Nanjing Road Office	1, 278, 716. 00	1, 278, 716. 00	*5
Compensation for guarantee	Agricultural Bank of China, Chengdu Wuhou Branch	13, 711, 517. 00	13, 711, 517. 00	*6
Compensation for guarantee	Huaxia Bank Guangzhou Branch	45, 736, 798. 42	45, 736, 798. 42	*7
Compensation for guarantee	China Orient Asset Management Corp. Chengdu Office	47, 170, 488. 98	47, 170, 488. 98	*8
Compensation for guarantee	Wuhan Xianfeng Credit Cooperatives	3, 000, 000. 00	3, 000, 000. 00	*9
	Total	313, 808, 151. 82	313, 808, 151. 82	

*1. According to the civil judgments with (2000) SZFJEC Zi No. 53 and No. 58 from Guangdong Shenzhen Intermediate People's Court on Aug. 18, 2000, the Company provided the guarantee for WeiYu (Hong Kong) Co., Ltd. transacting the documentary L/C amounting to USD 2, 694,000.00 in Industrial and Commercial Bank of China, Shenzhen Branch, Business Department, and undertook the joint responsibility, on Jul. 12, 2005, Industrial and Commercial Bank of China, Shenzhen Branch, Business Department transferred this above mentioned liability into China Orient Asset Management Corp. Shenzhen Office, afterward, on 20 Jun. 2008, China Orient Asset Management Corp. Shenzhen Office transferred the said liability to DF Assets Management Corporation Ltd.

According to the civil judgments with (2000) SZFJEC Zi No. 49 from Guangdong Shenzhen Intermediate People's Court on Sep. 4, 2000, the Company provided the guarantee for Gangyu Industrial Co., Ltd. transacting the documentary L/C amounting to USD 11,103,400.00 in Industrial and Commercial Bank of China, Shenzhen Branch, Business Department, and undertook the joint responsibility, on Jul. 12, 2005, Industrial and Commercial Bank of China, Shenzhen Branch, Business Department transferred this above mentioned liability into China Orient Asset Management Corp. Shenzhen Office, afterward, on 20 Jun. 2008, China Orient Asset Management Corp. Shenzhen Office transferred the said liability to DF Assets Management Corporation Ltd.

After confirmation, the Company failed to receive the reply as at reporting date.

On 19 Aug. 2009, DF Assets Management Corporation Ltd. wrote the letter to the Company, in which it shall release from the interests for the year 2008.

*2. According to the civil mediation agreement with (2003) WJC Zi and No. 00376 with (2004) WZ Zi from Hubei Wuhan Intermediate People's Court on Sep. 4, 2000, the Company provided the guarantee for Wuhan Chaolong Material Development Co., Ltd. ' borrowings amounting to RMB 8,000,000.00 from China Everright Bank Wuhan Xinhua Road Branch, and undertook the joint responsibility. After confirmation, the Company failed to receive the reply as at reporting date. The Company reserved the capital principal and related interests in line with the reply in 2005.

*3. According to the civil judgments with (2004) EZMC Zi No. 08921 from Beijing the Second Intermediate People's Court, the Company provided the guarantee for Beijing Union Huitong Investment Co., Ltd. (Hereinafter refer to as Beijing Huitong)'s borrowings amounting to RMB 5,000,000.00 from Huaxia Bank Beijing Chaoyang Men Branch, and undertook the joint responsibility. After confirmation, the Company failed to receive the reply as at reporting date. The Company reserved the capital principal and related interests in line with the reply in 2005.

*4. On Aug. 16, 2002, Tianjin The Leader Co., Ltd. (hereinafter refer to The Leader Co., Ltd.) signed the Cooperation Agreement with Wuhan Ronglida Industry Development Co., Ltd. (hereinafter refer to as Wuhan Ronglida Co., Ltd.), with contents that Wuhan Ronglida Co., Ltd. borrowed RMB 5,000,000.00 from The Leader Co., Ltd. and the Company presented the letter of commitment to promise to accept the joint responsibility for compensation from Wuhan Ronglida Co., Ltd. According to the civil judgment with (2004) EZMEC Zi No. 161 from Tianjin the Second People's Court, the Company received the joint responsibility with one third of overdue liabilities to The Leader Co., Ltd. According to the civil judgment with (2005) EZMEC Zi No. 228-1 from Tianjin the 2nd People's Court, the Company was sealed and frozen then deducted the RMB 1,946,335.00 or equal ant assets of the Company.

*5. According to the civil judgments with (2005) AMSC Zi No. 14 from Wuhan Jiangmen District People's Court, the Company provided the guarantee for Wuhan Duolunbao Beer Co., Ltd.'s borrowings amounting to RMB 800,000.00 from Agricultural Bank of China, Wuhan Nanjing Road Office and undertook the joint responsibility. After confirmation, as at Dec. 31, 2008, the Company still own the capital principal amounting to RMB 800,000.00 and related interests amounting to RMB 478,716.00.

*6. According to the civil judgments with (2005) CMC Zi No. 750 from Chengdu Intermediate People's Court, the Company provided the guarantee for Chengdu Xinchang Chemical Products Co., Ltd.'s borrowings amounting to RMB10,000,000.00 from Agricultural Bank of China, Wuhan Nanjing Road Office and undertook the joint responsibility, After confirmation, as at Dec. 31, 2008, the Company still own the capital principal amounting to RMB 10,000,000.00 and related interests amounting to RMB 3,711,517.00.

*7. According to the civil judgments with (2006) SZFEC Zi No. 48 from Guangzhou Intermediate People's Court in Jan. 2006, the Company provided the guarantee for Shenzhen Houyuan Medical Equipment Co., Ltd.'s borrowings amounting to RMB 35,000,000.00 from Huaxia Bank Guangzhou Branch, and undertook the joint responsibility. In 2008, the Company additionally withdrew interests of RMB 3,071,874.52.

*8 On Dec. 12, 2006, the Company and Chengdu Representative Office signed Debt Restructuring Contract. The credit right principal of RMB 32,400,000.00 and the interest of RMB 11,030,906.10 (due date for interest: Dec. 12, 2006) of Chengdu Representative Office were conducted a debt restructuring. Based on the contract, the amount of the said debt restructuring was RMB 3,240,000.00 which should be paid within 2 years, RMB 1,620,000.00 being paid respectively on Sep. 30, 2007 and Sep. 30, 2008. If the Company performed the contract, Chendu Representative Office would exempt part of the principal and interest of the Company mentioned in the old borrowing contract, no former guarantee liability to be born. The Company was permitted to discharge all the restructuring amount of RMB 3.24 million and the corresponding interest and penalty interest once before Sep. 30, 2008 by signing Complement agreement with Chengdu Representative Office on Oct. 22, 2007. As at 31 Dec. 2008, the Company failed to repay to Chengdu Representative Office at the designated time. In accordance with the letter from China Orient Asset Management Cop. Chengdu Representative Office to the Company on 21 Apr. 2009, as at 31 Dec. 2008, the Company owed the principal of RMB 32,400,000.00, as well as RMB 14.770,488.98. On 11 May 2009, the Company signed the

Debt Restructuring Contract with Chengdu Representative Office, the amount for debt restructuring shall be, based on the original restructuring amount of RMB 3.24 million (namely 10% of principal for liabilities for guarantee), adding the interest rate of corresponding bank loan from 21 Sep. 2008 to the date of the loan is refunded, not less than RMB 3.5 million with bullet loan prior to 20 Jun. 2010. After finishing performance of this agreement, Chengdu Representative Office released from the Company's surety guarantee responsibility for the other principal and interests to the original loan contract. Before full performance, the original guarantee contract between Chengdu Representative Office and the Company remained in force.

*9 About the loan contract dispute case concerning Wuhan Xianfeng Credit Cooperatives, as plaintiff, bringing a lawsuit against appellees, both Wuhan Tongji Pharmaceutcal Corporation, Ltd and Shenzhen Benelux Enterprise Co., Ltd., the Company received the civil judgment (2003) WLZ Zi No. 097-2 from Wuhan intermediate people's court of Hubei Province on 13 Jul. 2009 as follows:

(1). To finish up this executive routine of civil judgment (2002) EMEZ Zi No. 160 made by Higher People's Court of Hubei Province;

(2). Persons concerned, both Wuhan Tongji Pharmaceutcal Corporation, Ltd and Shenzhen Benelux Enterprise Co., Ltd. owed Wuhan Xianfeng Credit Cooperatives (execution applicant) money of RMB 3 million and relevant interests. Where petitioner for enforcement finds the persons concerned has executable property, a petition of reexecution is filed to the people's court that does have jurisdiction over the case.

12. Share capital

Items	2009-1-1	Increase	Decrease	2009-6-30
I. Unlisted circulation shares				
1. Promoters' shares	43,318,000.00	-	-	43,318,000.00
Including:				
Domestic legal person shares	28,031,078.00	-	-	28,031,078.00
Foreign legal person shares	15,286,922.00	-	-	15,286,922.00
2. Raised legal person shares	-	-	-	-
3. Employees' shares	1,452,000.00	-	-	1,452,000.00
Subtotal	44,770,000.00	-	-	44,770,000.00
Ⅱ. Listed circulation shares				
1. RMB ordinary shares	-	-	-	-
2. Domestically listed foreign shares	15,730,000.00			15,730,000.00
Subtotal	-	-	-	-
Ⅲ. Total shares	60,500,000.00	-	-	60,500,000.00

1. Because the third largest shareholder of the Company, Wuhan Huaxing Electronics Co., Ltd. provided the guarantee in dispute that Guangzhou Suoer Technology Co., Ltd. loaned from Huaxia Bank Guangzhou Branch, the sponsor's share 8,473,001 shares of the

Company (representing 14% of total shares of the Company) held by Wuhan Huaxing Electronics Co., Ltd.were frozen and sold by auction by Guangzhou Intermediate People's Court, Guangzhou Intermediate People's Court ruled that the above mentioned equity was transferred to bidder Hainan Jinjian Guotou Property Co., Ltd., the registered procedure of equity transfer has finished on 11 Jun. 2008.

2. Because the Company provided the guarantee for Weiyu(Hong Kong) Co., Ltd.,Gangyu Industrial Co., Ltd. transacting the Letter of Credit in Industrial and Commercial Bank of China, Shenzhen Branch, Business Department, so the Company undertook the joint responsibility(This creditor's right was transferred to China Orient Asset Management Corp., Shenzhen Office later). Shenzhen office applied Shanwei Intermediate People's Court to seal the 4,889,520 shares of the Company held by Shekou Hansheng Electrics Co., Ltd. (Hereinafter referred to as "Shekou Hansheng").

13. Capital reserve

Item	2009-1-1	Increase	Decrease	2009-6-30
Share premium	29,847,220.25			29,847,220.25
Other	4,944,460.29			4,944,460.29
Total	34,791,680.54			34,791,680.54

14. Surplus reserve

Item	2009-1-1	Increase	Decrease	2009-6-30
Statutory surplus reserve	31,716,564.50			31,716,564.50

15. Retained profit

The closing balance of retained profit is RMB -517,470,886.18, the changes are as follows:

Item	2009-6-30
Net profit as of this period	-879,380,37
Add : Retained profit at the year-begin	-516,591,505.81
Other transfer-in	
Profit available for distribution	-517,470,886.18
Less: Statutory surplus reserve withdrawn	
Discretionary surplus reserve withdrawn	
Dividend payable for ordinary shares	
Dividend of ordinary shares transferred to share capital	
Retained profit at the period-end	-517,470,886.18

Item	2009-6-30
Of which: Cash dividend to be distributed	

IX. Relationship of related parties and their transaction

(I) Relationship of related parties

1. Related parties existing controlling relationship

Name of company	Relationship with the Company	Economic character and type	Registered address	Main business scope	Legal representative
Hainan Rulai Wood Industry Co., Ltd.	The controlling shareholder of the Company	Wholly-owned by Hong Kong, Macao and Taiwan	Inside the Xilian Farm of Danzhou	Production and sales of furniture and wooden products, agricultural products and farming; construction and operation of farmer's market	Xu Min

2. The registered capital of the related parties existing controlling relationship and its changes

Name of Company	2009-1-1	Increase	Decrease	2009-6-30
Hainan Rulai Wood Industry	USD10,000,000.00			USD10,000,000.00

3. The shares holding by the related parties existing controlling relationship and its change

Name of company	2009-1-1		Increase		Decrease		2009-6-30	
	Amount	Proportion %	Increase	Proportion %	Decrease	Proportion %	Amount	Proportion %
Hainan Rulai Wood Industry Co., Ltd.	14,668,557.00	24.25					14,668,557.00	24.25

4. Related parties among which didn't exist the controlling relationship

Name of company	Economic character	Registered capital	Main business scope	Relationship with the Company
Hainan Jinjian Guotou Property Co., Ltd.	Company limited	5,000,000.00	Hi-tech Development: Agriculture and tourism development, mechanical and electrical products, computer and parts, sales of farm and sideline products, land development and operation, property, land, land second plowing, Regulation and arrangement.	The shareholder of the Company

Shekou Hansheng Electronics Co., Ltd.	Company limited	1,000,000.00	The introduction of foreign computer, electronics, telecommunications, audio-visual, manufacture of electronic products , development and production, production with foreign computer companies, develop networks and office software, follow application project of the foreign computer systems engineering, wholesale and retail of electronic products	The shareholder of the Company
Shenzhen Benlux Simulation & Control Co., Ltd.	Company limited	9,000,000.00	Technology development of many types of simulation system, control system, technology development of computer hardware and software, purchase and sale of computers and electronic products.	Controlling subsidiaries of the Company
Shenzhen Kouyuan Medical Equipment Co., Ltd.	Company limited	6,000,000.00	Sales of medical equipment and others.	Controlling subsidiaries of the Company
Wuhan Ruide Biological Products Co., Ltd.	Company limited	45,840,000.00	Biological products, blood products	Controlling subsidiaries of the Company

(II) Transaction of related parties

1. Guarantee and mortgage bank loan and bank acceptance

By 30 June 2009, the guarantee for bank loan of related parties provided by the Company was as follows:

Name of related party	Loan bank	Amount	Guarantee term
Shenzhen Houyuan Medical Appliances Co., Ltd.	HXB Guangzhou Branch	35,000,000.00	27 Apr. 2004—27 Apr. 2007

On Mar. 15, 2004, the Company provided for principal RMB 35,000,000.00 and its interest borrowed from HXB Guangzhou Branch by Shenzhen Houyuan Mecical Appliances Co., Ltd., with guarantee term from Apr. 27, 2004 to Apr. 27, 2007. Please refer to Annotation VIII, 13, *7 with details.

2. Balance of current accounts of related parties

Item	2009-6-31		2008-12-31	
	Balance	Proportion in balance of year-end %	Balance	Proportion in balance of year-end %
Other accounts receivable				
Shenzhen Houyuan Medical Appliances Co., Ltd.	16,886,981.74	84.55%	16,886,981.74	84.63%
Other accounts payable				

Of which: Wuhan Ruide Biological Products Co., Ltd.	2,992,000.00	4.04%	2,992,000.00	3.89%
Shekou Hansheng Electronic Co., Ltd.	4,696,367.81	6.34%	4,696,367.81	6.10%
Hainan Rulai Wood Industry Co., Ltd.	636,348.92	0.53%	393,792.07	0.01%

X. Contingent events

1. The Company provided guarantee for loan of RMB 9,500,000.00 borrowed from Guangdong Development Bank Shenzhen Branch, Chenfeng Sub-branch (hereinafter referred to as the plaintiff) by Shenzhen Tai Feng Electronic Co. Ltd.. On Feb. 1, 2007, it was judged that Shenzhen Tai Feng Electronic Co., Ltd. should pay off the loan of RMB 9.5 million and the according interest within 10 days according to the Civil Judgment from Guangdong Guangzhou Intermediate People's Court. Otherwise, the plaintiff had the rights to apply for auction and sales of 7-8/F, Block 7, Nanyou the 4th Industrial Zone which was mortgaged to the plaintiff by the defendant Shenzhen Tai Feng Electronic Co., Ltd., as well as the priority of claim on price of the real estate namely Block 6 of Department, Living Area, Songpingshan (the book value of the mortgage on Oct. 9, 2003 was RMB 19,497,902.00, the net assessed value RMB 8,827,008.00). The portion that the price was over the credit right amount would be attributable to Shenzhen Tai Feng Electronic Co., Ltd., while the deficiency was discharged by Shenzhen Tai Feng Co., Ltd.. The Company undertook the suretyship of joint and several liability for the mortgage except the credit rights.

2. At the end of 2000, the Company and the first largest shareholders of the Company namely Shekou Hansheng Electronic Co., Ltd. Carried out a large-scale assets recombination. The Company transferred the receivable accounts credit assignment totaling RMB 131.08 million and the long-term investment valuing RMB 24.01 million to Shekou Hansheng Electronic Co., Ltd. (hereinafter referred to as Shekou Hansheng), while Shekou Hansheng transferred the owned 99% equity of Wuhan Ruide Biological Products Co., Ltd. (hereinafter referred to as Wuhan Ruide) and 75% equity of Shenzhen Houyuan Medical Appliances Co., Ltd. (hereinafter referred to as Shenzhen Houyuan) to the Company, of which the related transfer procedure was finished in 2001. However, after taking over the management, the new Board of Directors of the Company discovered that, when Shekou Hansheng Electronic Co., Ltd. transferred the equity of the two companies mentioned above, it did not pay the purchase of the aforesaid equity of the two companies. The details were stated as follows:

The actual shareholder of Wuhan Ruide was Hubei Xielida Investment Co., Ltd. when being transferred into the Company, while Hubei Xielida Investment Co., Ltd. (hereinafter referred to as Hubei Xielida) purchased the equity of the said company from the original shareholder of Wuhan Ruide namely Wuhan Zhongyuan Industry Group Co., Ltd. (hereinafter referred to as Wuhan Zhongyuan Company). When Wuhan Ruide was transferred into the mentioned company, Hubei Xielida didn't pay off the amount of RMB 18,192,680.47 for the aforesaid equity transfer (RMB 5 million was paid in Dec. 2003), so the Company made promise to Wuhan Zhongyuan Company that it would provide guarantee for the unpaid equity transfer, also signed Repayment in Installment Agreement with Wuhan Zhongyuan Company. The lawyer of Wuhan Zhongyuan Company protested the Company should pay the principal, interest and penalty interest of the equity guaranteed above totaling to RMB 59,659,979.04. The result of the lawsuit was still confused owing to the lacking evidence.

3. According to the information in hand, when transferring Shenzhen Houyuan to the Company, Shekou Hansheng only paid RMB 1 million (total amount for the transfer was RMB 10,517,417.40) for the natural person of the original shareholder of Shenzhen Houyuan Gan Hui. On Oct. 22, 2001, the Company offered letter of undertaking for

guarantee for Mr. Gan Hui as well as joint liability for guarantee for the unpaid amount for the transfer. Mr. Gan Hui claimed the principal of the equity transfer RMB 9,517,417.4 and interest of overdue payment RMB 11,430,418.29 for Shenkou Hansheng and the Company through the lawyer. In Dec. 2007, Gan Hui signed the confirmation, affirming that the Company had no any guarantee or debt obligation for him.

XI. Commitment

By 30 June 2009, the Company had no capital expenditure which was signed without permission or was permitted without contract.

XII. Non-monetary transaction

By 30 June 2009, the Company had no significant non-monetary transaction.

XIII. Debt Restructuring

(I) Four sides such as China Orient Asset Management Cop. Shenzhen Representative Office (hereinafter referred to as Shenzhen Representative Office) and the natural person Shi Ming reached the agreement of debt restructuring on disposing the related debt obligation and guarantee liability of Shenzhen Representative Office by the Company:

1. On Dec. 27, 2006, according to the Reconciliation Agreement signed by Shenzhen Representative Office and the Company, given ICBC Shenzhen Branch transferred the interest on penalty of all the owned credit right of the Company to Shenzhen Representative Office on Jul. 12, 2005, the credit right of the Company that Shenzhen Representative Office took was mainly divided into three parts by confirmation of both sides. The first part of the credit right borrower was the Company, the second part was Gangyu Industry Co., Ltd. of which guarantee was offered by the Company, and the third one was Weiyu (Hong Kong) Co., Ltd. of which guarantee was offered by the Company.

2. The first part of credit right: Shenzhen Representative Office and the natural persons such as Shi Ming signed Credit's Right Transfer Agreement, the 4 persons such as Shi Ming transferred credit right by RMB 15.5 million and bore all the risk by themselves. After receiving RMB 15.5 million, Shenzhen Representative Office transferred the object of credit right to the four persons such as Shi Ming to share and undertake the risk. Before Dec. 31, 2006, the persons such as Shi Ming paid RMB 15.5 million for Shenzhen Representative Office. According to the Cooperation Agreement signed by the Company and the four persons, the purpose of purchasing the credit right was to obtain the disposal right and property right of the sealed up assets in the above mentioned credit right without purpose for the recourse of the rest credit right which would be vanished automatically as soon as the disposal of assets finished. The net book value of the fixed assets sealed up by the first part of the credit right was RMB 7,697,099.79 (by Dec. 31, 2006). According to Cooperation Agreement, the rest credit right would be vanished automatically without payment after disposal of the sealed up assets was finished, then the debt obligation of the Company would reduced by RMB 64,850,246.28 (the book value of Other Accounts Payable of the Company by Dec. 31, 2006). According to the Civil Ruling issued by Shenzhen Nanshan People's Court, the main body of credit right disposal was changed to the persons such as Shi Ming, as the sealed up housing was being conducted assets disposal.

3. The second and third part of credit rights being executed by Shanwei Intermediate

People's Court. Shenzhen Representative Office applied for the court to seal up the 4,889,520 equity of the Company held by the execution guarantor namely Shekou Hansheng Electronic Co., Ltd. (hereinafter referred to as Shekou Hansheng) and the 75% equity of Shenzhen Houyuan Medical Appliances Co., Ltd. held by the Company. Shenzhen Representative Office agreed that, when the Company performed all the obligation based on the contract of the two sides (paid RMB 5,553,872.08 prior to 30 Sep. 2007, as well as RMB 5,553,872.08 prior to 30 Sep. 2008), the joint liability for liquidation of the second and third part of the credit right by the Company would be exempted, as Shenzhen Representative Office had the recourse right of the principal and interest of the rest arrearage from other person subject to enforcement, as well as applying for the court to release from sealing up the 75% equity of Shenzhen Houyuan Medical Appliances Co., Ltd. held by the Company. If the Reconciliation Agreement between the Company and Shenzhen Representative Office could come into effect, the actual compensation for loss for the guarantee which was provided by the Company for Gangyu Industry Co., Ltd. and Weiyu (Hong Kong) Co., Ltd. was RMB 11,107,744.16. If the Company could not paid the money on schedule, the debt restructuring was no longer carried out, the according principal and exempting the interest were canceled, also the other side requested the Company should bear the obligation for the debt obligation before exempt. On 20 Jun. 2008, China Orient Asset Management Cop. Shenzhen Representative Office has transfer the said debts to DF Assets Management Corporation. After confirmation, the Company as at the reporting date, failed to receive the letter in reply.

The Company received the letter from DF Assets Management Corporation on 19 Aug. 2009, in which the interests for the year 2008 was exempted.

As at 31 Dec. 2008, the balance of debts is RMB 184,730,783.61. After confirmation, DF Assets Management Corporation confirmed the above-mentioned amount.

(II) Debt Restructuring Agreement on disposing the related guarantee liability of the Company in China Orient Asset Management Cop. Chengdu Representative Office (hereinafter referred to as Chengdu Representative Office), which was reached by Chengdu Representative Office

On Dec. 12, 2006, the Company and Chengdu Representative Office signed Debt Restructuring Contract. The credit right principal of RMB 32,400,000.00 and the interest of RMB 11,030,906.10 (due date for interest: Dec. 12, 2006) of Chengdu Representative Office were conducted a debt restructuring. Based on the contract, the amount of the said debt restructuring was RMB 3,240,000.00 which should be paid within 2 years, RMB 1,620,000.00 being paid respectively on Sep. 30, 2007 and Sep. 30, 2008. If the Company performed the contract, Chendu Representative Office would exempt part of the principal and interest of the Company mentioned in the old borrowing contract, no former guarantee liability to be born. The Company was permitted to discharge all the restructuring amount of RMB 3.24 million and the corresponding interest and penalty interest once before Sep. 30, 2008 by signing Complement agreement with Chengdu Representative Office on Oct. 22, 2007. As at 31 Dec. 2008, the Company failed to repay to Chengdu Representative Office at the designated time. In accordance with the letter from China Orient Asset Management Cop. Chengdu Representative Office to the Company on 21 Apr. 2009, as at 31 Dec. 2008, the Company owed the principal of RMB 32,400,000.00, as well as RMB 14.770,488.98. On 11 May 2009, the Company signed the Debt Restructuring Contract with Chengdu Representative Office, the amount for debt restructuring shall be, based on the original restructuring amount of RMB 3.24 million (namely 10% of principal for liabilities for guarantee), adding the interest rate of

corresponding bank loan from 21 Sep. 2008 to the date of the loan is refunded, not less than RMB 3.5 million with bullet loan prior to 20 Jun. 2010. After finishing performance of this agreement, Chengdu Representative Office released from the Company's surety guarantee responsibility for the other principal and interests to the original loan contract. Before full performance, the original guarantee contract between Chengdu Representative Office and the Company remained in force.
After confirmation, as at 31 Dec. 2008, China Orient Asset Management Cop. Chengdu Representative Office confirmed the above-mentioned amount.

(III) Debt Restructuring Agreement on resolving the problem that the Company purchased equity of Wuhan Ruide Biological Product Co., Ltd. (hereinafter referred to as Ruide Company) from Wuhan Zhongyuan Industry Group Co., Ltd. (hereinafter referred to as Wuhan Zhongyuan Company) on the behalf of Hubei Xielida Investment Co., Ltd. (hereinafter referred to as Xielida Company), which was reached by Wuhan Zhongyuan Company。
3.1. Please refer to Annotation X with the scope and the general information about the debt restructuring, Annotation VII with the status quo of the equity of Ruide Company.

3.2. According to Agreement signed by the Company and Wuhan Zhongyuan Company on Dec. 31, 2006, the Company permitted that the held 99% equity of Ruide Company would be entrusted to Wuhan Zhongyuan Company without day so that it could take the entire equity to the according shareholders of Ruide Company. Wuhan Zhongyuan Company would no longer have recourse for any debt obligation since the date of signing agreement. Meanwhile, the Company would transfer the equity to Wuhan Zhongyuan Company if the condition for equity transfer was mature. The Company could release from the guarantee liability of RMB 59,659,979.04 as soon as Wuhan Zhongyuan Company obtained 99% equity f Ruide Company.

3.3. On Apr. 18, 2007, the Company received Circular on Releasing Entrustment with Term (SNFZ Zi (2005) No. 1484 from Shenzhen Nanshan People's Court (hereinafter referred to as Nanshan Court). The Company would properly handle the entrustment with the related entities such as Nanshan Court according to the laws and rules of the State. By the report date, the Company had not received the penalty pen pusher from Nanshan Court.

XIV. Events occurring or existing after the balance sheet date

As at 30 June 2009, the Company had no significant the non-adjusted events occurring or existing after the balance sheet.

XV. Explanation on continuous operating ability

The principal operating assets of the Company had been mortgaged or sealed up, the external guarantee with joint liability for debt judged by court existed, in line of the serious shortage of the currency capital available for the expenses of operating activities and the suspense of the operating business, so the Company faced the risk to lose the continuous operating ability.

In order the help the Company get out of the dilemma, the Company was trying to stem the passive tide by the support of large shareholders and its own efforts, with hope to solve the dilemma.

The key focus of continuous operation of the Company is completing the liabilities' reconstruction and implementing the significant assets' reconstruction, aiming at the current situation, the Company and the principal shareholder of the Company Hainan Rulai Wood Industry Co., Ltd. committed themselves to handling the work relating with relevant liabilities' reconstruction and assets' reconstruction, planed to achieve to change the industries' structure, further benefit capability, took the road to healthy development for the Company.

As the statement in note XIII of the Company, the Company made much progress in liabilities' reconstruction, once the Company paid the liabilities reconstructed as agreed matters, the Company's net assets will be increased hugely (expected switching the liabilities back), the financial situation of the Company will be completely changes, which also laid the solid and vital foundation for the assets' reconstruction of the Company.

Chapter VII Documents for Reference

1. The text of semi-annual report 2009 duly signed by the Chairman of Board;
2. Financial report carrying the signatures of legal representative, CFO and person in charge of accounting office and chop;
3. The original of documents and announcements publicly disclosed on Securities Times and Ta Kung Pao;
4. Articles of Association of the Company.

Shenzhen Benelux Enterprise Co., Ltd

5 Nov. 2009