Regulatory Announcement

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CATHAY INTERNATIONAL HOLDINGS LIMITED

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to present the preliminary statement of the Group for the financial year ended 31 December 2008.

KEY PERFORMANCE INDICATORS

Group Turnover and Gross Profit

	Pharmaceutical		**Hotel Operations**	**Corporate Office/ Unallocated**	**Total**
(Stated in USD'000)	**Research & development**	**Production marketing & distribution**			
For the year ended 31 December 2008					
Turnover	-	55,963	9,090	-	65,053
Gross profit	-	28,433	184	-	28,617
For the year ended 31 December 2007					
Turnover	-	26,684	7,495	-	34,179
Gross profit/(loss)	-	16,833	(769)	-	16,064

Pharmaceutical

The turnover of our pharmaceutical business increased by 109.7% this year to USD55,963,000 (2007: USD26,684,000) and gross profit increased by 68.9% to USD28,433,000 (2007: USD16,833,000). The significant improvements largely resulted from the strong performance of Lansen Pharmaceutical Holdings Limited and its subsidiaries (the "Lansen Group") acquired in August 2005. The profit margin for the Lansen Group was 70.3% in 2008 (2007: 68.3%).

We believe the excellent performance of the Lansen Group is due to a combination of factors:

- the Lansen Group specialises in drugs for rheumatic diseases in China. Rheumatology in China has started to develop only in recent years and is expected to continue to offer higher growth potential than the pharmaceutical industry average in China;

- prescription drugs for rheumatic diseases marketed and distributed by the Lansen Group, including Lansen's own products, have taken significant market share; and the company has established an excellent reputation amongst rheumatology specialists in both provincial and national hospitals in China;

- the Lansen Group has established an extensive distribution network, covering approximately 1000 hospitals in 28 provinces and cities. It is a highly efficient and effective distribution channel which continues to benefit the Lansen Group in the market development and launch of new drugs by significantly reducing the time, resource and costs to develop a market presence and reputation;

- drugs for specialised diseases have experienced faster growth than the market as a whole; and

- China has been and is expected to continue to be one of the fastest growing major economies in the world, and both public and private investment in healthcare is growing strongly.

As you will be aware, the Group also has an investment in a pharmaceutical business operated by Xian Haotian Bio-Engineering Technology Co. Ltd. and its group companies (the "Xian Haotian Group"). The Xian Haotian Group is engaged in the manufacture, marketing and sale of plant extract used as various active ingredients in pharmaceuticals, food, beverages, cosmetics, dietary supplements and health products.

During the year, the Xian Haotian Group has been primarily focusing on the feasibility study of the inositol project. A number of small-scale trial productions of inositol were also conducted. During the project development phase, all expenses related to the inositol project were capitalised and any profit generated from the sale of inositol under trial production was recorded as a reduction of expenses so capitalised.

On 12 September 2008, the Company announced that the feasibility study relating to the inositol project had been delayed. Accordingly, the Company and the senior management of the Xian Haotian Group agreed to extend the expiry date for the put and call option arrangements relating to the Company's investment in the Xian Haotian Group for a period of 10 months. As of the year end date, the Xian Haotian Group has not yet achieved its target levels in production efficiency, production cost control and raw material supply strategy as required under the feasibility study of the inositol project.

Hotel Operations

Turnover of the hotel division increased to USD9,090,000 (2007: USD7,495,000) and the gross profit of the hotel division was USD184,000 (2007: gross loss of USD769,000).

Despite the difficult operating environment in 2008 including the Sichuan earthquake in May, une: travel restrictions during the Olympics and an economic slowdown in the second half of the year, we are pleased to report that the InterContinental Hotels Group ("IHG"), which has been managing Crowne Plaza Hotel & Suites Landmark Shenzhen (the "hotel") since 18 December 2007, has increased the average occupancy rate to 43.8% (2007: 37.7%) and the average room rate to USD125 (2007: USD118) for 2008.

The occupancy level in the first two months of 2009 has continued to improve to 51.9% (first two months of 2008 of 40.2%). We consider that the performance is encouraging as the first two months of the year is an off-peak season and the market in 2009 has started with the adverse impact of the global financial crisis. We believe the Company
has made the right decision in engaging IHG, and the hotel is expected to continue increasing its contribution to the Group.

The hotel has been revalued at 31 August 2008 by Colliers International, an independent firm of p discounted cash flow method at USD126,000,000 (2007: USD125,000,000). The equity investment cost of the hotel was USD101,534,000 (2007: USD101,699,000).

Operating Results

(Stated in USD'000)	Pharmaceutical Research & development	Pharmaceutical Production marketing & distribution	Hotel Operations	Corporate Office/ Unallocated	Total
For the year ended 31 December 2008					
Profit/(loss) from operations	(1,231)	7,680	1,002	(2,595)	4,856
Finance costs	-	(1,770)	(2,383)	(2,766)	(6,919)

Profit/(loss) before income tax	(1,231)	5,910	(1,381)	(5,361)	(2,063)
Income tax expense	-	(789)	-	(122)	(911)
Profit/(loss) before minority interests	(1,231)	5,121	(1,381)	(5,483)	(2,974)
For the year ended 31 December 2007					
Profit/(loss) from operations	(1,211)	929	(670)	(1,829)	(2,781)
Share of loss of an associate	-	(21)	-	-	(21)
Finance costs	-	(975)	(1,634)	(2,484)	(5,093)
Loss before income tax	(1,211)	(67)	(2,304)	(4,313)	(7,895)
Income tax expense	-	(370)	-	-	(370)
Loss before minority interests	(1,211)	(437)	(2,304)	(4,313)	(8,265)

Pharmaceutical

As a result of the Lansen Group's contribution, the operating profit from the pharmaceutical production, marketing and distribution division increased 8 times to USD7,680,000 (2007: USD929,000). The Lansen Group's contribution was USD7,290,000 in 2008 (2007: USD964,000).

Hotel Division

The operating profit of the hotel division was USD1,002,000 (2007: operating loss of USD670,000) benefiting from the management and global guest booking systems of the Crowne Plaza Hotel & Suites brand provided by IHG and we expect it to continue contributing positively to Group profits.

Corporate Office

The corporate office expenses were similar to those incurred in 2007. The increase in corporate expenses was primarily due to an increase in finance costs.

The Group loss before minority interests for 2008 was USD2,974,000 (2007: USD8,265,000), which was arrived at mainly after deducting finance costs totaling USD6,919,000 (2007: USD5,093,000). As set out in the table above, the gross finance costs were as follows:

- USD1,770,000 (2007: USD975,000) in the pharmaceutical production, marketing and distribution division;
- USD2,383,000 (2007: USD1,634,000) in the hotel division; and
- USD2,766,000 (2007: USD2,484,000) in the corporate office.

The increase in finance costs in the hotel division was mainly due to the reallocation of corporate office finance costs that were related to the funding of hotel renovations. The increase in finance costs in the corporate office was mainly owing to additional loans to finance the working capital of the Group and the investment in the Xian Haotian Group, during the year.

In June 2008, the Group obtained a 3-5 year banking facility in the amount of USD22 million. This facility will be used to re-finance existing loans and for corporate funding requirements.

Net Assets and Gearing

Net assets at the end of 2008 were USD72,208,000 (2007: USD75,846,000). The decrease was primarily owing to the loss during the year. As a result, net assets per share at the end of 2008 were USD0.26 (2007: USD0.27).

Gearing increased to 140.1% (2007: 101.5%), primarily as a result of additional loans to finance the working capital of the Group and the investment in the Xian Haotian Group.

CONCLUSION

We believe our pharmaceutical and related businesses will generate long-term organic growth and improved shareholder returns in the future.

We will continue to monitor further potential business opportunities in the healthcare product market as a natural extension to the pharmaceutical business. The intention is to build and strengthen our product pipeline and enable our healthcare and pharmaceutical business to sustain long-term growth.

After many years of service as independent non-executive directors, John Cosson and I are retiring with effect from the end of this year's Annual General Meeting.

The Company's direction and orientation to China are now clearly established and this would suggest that the appointment of additional Asian-based directors would be advantageous. I am sure that you will agree that Mr. Sum Soon Lim and Mr. Toong Kenneth Ken Kwok, Asian-based businessmen and bankers by background, are highly experienced replacements who are well qualified to serve the Company and its shareholders' interests going forward. Brief biographical details of Mr. Sum and Mr. Toong are set out in the Annual Report. The resolutions to appoint Mr. Sum and Mr. Toong are set out at the end of the Annual Report. A full announcement concerning their appointment in accordance with the Listing Rules will be made in due course.

On behalf of the Board, I would also like to thank our staff for their continued dedication and commitment.

James Buchanan
Chairman

Enquiries:

Stephen Hunt (Deputy Chairman)	(via Brunswick)	020 7404 5959
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OPERATION REVIEW

PHARMACEUTICAL BUSINESS

The Lansen Group

The Lansen Group has performed well in 2008 and is expected to generate high growth for the Gro
the combination of factors described below:

- the Lansen Group is engaged in the production, marketing and distribution of prescription drugs, primarily in the treatment of rheumatic disease. Medical treatment in rheumatology in China has only started to develop in recent years and the number of rheumatic disease specialists and patients has increased significantly in the last few years. The Lansen Group is of the view that rheumatology will offer higher growth potential than the pharmaceutical industry average in China;

- the Lansen Group has expanded and strengthened its distribution network, which no operated by a team of 210 sales professionals. The network covers approximately 1000 hospitals in 28 provinces and cities and is a highly efficient and effective distribution channel;

- the Lansen Group has benefited from its distribution network in the development and launch of new drugs by significantly reducing time, resource and costs. In 2008, the Lansen Group was able rheumatic disease, reaching close to 300 hospitals within months of its release;

- Lansen's own products and products under its agency distribution are achieving a sig prescription drugs for rheumatic disease and the Lansen Group has established a good reputation amongst rheumatology specialists in both provincial and national hospitals in China;

- China has been and is expected to continue to be one of the fastest growing major economies. In the current global financial crisis, the Chinese government is forecasting annual GDP growth of 8% for 2009. With its stimulus package, China is attempting to transform its economy by reducing reliance on export and putting more emphasis on domestic consumption including health care;

- the pharmaceutical industry has performed better than the all industries average in China, even when the global financial crisis started to impact the Chinese economy; and

- demand for drugs applied in specialised diseases has experienced faster growth than demand for common drugs.

As a result of these factors, the Lansen Group has already formed an entry barrier which could no competitors.

The Lansen Group intends to build on its strengths, particularly its image and position in rheumato consistent high profit growth. The Lansen Group is investing in research and development on new and it is expected that a pipeline of new drugs will be developed in the next few years.

During the year, the Lansen Group installed the Enterprise Resource Planning system ("ERP"). This provides timely information in relation to financial, cashflow and risk management issues and has improved the speed and quality of management decisions.

The Xian Haotian Group

During the year, Xian Haotian Group has been primarily focusing on the feasibility study of inositol project. The study focused on (i) refining the extraction technology and processes, (ii) increasing production efficiency; (iii) reducing production costs; and (iv) implementing the strategic plan for the raw material supply for inositol (i.e. to secure a stable supply and minimize the effect of raw material cost changes resulting from market fluctuation). These are the prime factors critical to the success of the inositol project. A number of small-scale trial productions of inositol were also conducted. During the project development phase, all expenses related to the inositol project were capitalised and any profit generated from the sale of inositol under trial production was recorded as a reduction of expenses so capitalised.

On 12 September 2008, the Company announced that the feasibility study relating to the inositol project had been delayed. Accordingly, the Company and the senior management of the Xian Haotian Group agreed to extend the expiry date for the put and call option arrangements relating to the Company's investment in the Xian Haotian Group for a period of 10 months. As of the year end date, the Xian Haotian Group has not yet achieved its target levels in production efficiency, production cost control and raw material supply strategy as required under the feasibility study of the inositol project.

HOTEL OPERATIONS

Year 2008 was the first full year when our 304-room 5-star hotel in the Lowu District of Shenzhen Hotel & Suites Landmark Shenzhen (the "hotel") and started to benefit from the experienced management, the global guest booking network and the Priority Club Programmes of the Crowne Plaza Hotel & Suites brand provided by IHG.

The hotel is now one of the leading luxury class hotels in Shenzhen and in Southern China, converted from a configuration of over 550 rooms to a configuration of 304 enlarged superior rooms and suites. The average room size is now 68 sq.m. It also has enhanced banquet and meeting facilities, an executive lounge, an Italian restaurant, a coffee shop, a Chinese restaurant, a wine and cigar lounge, a Spa & Fitness Centre managed by Lifestyles Health & Fitness Sdn.Bhd., and a unique butler service to all hotel guests. The hotel is also well recommended by Tripadvisor. Tripadvisor is a US website which provides recommendations for hotels, resorts, inns, vacations, travel packages, vacation packages, travel guides and etc. featuring advice from travellers covering over 300,000 hotels and attractions.

We are pleased to report that IHG improved the performance of the hotel - with average occupancy increasing to 43.8% (2007: 37.7%) and average room rate increasing to USD125 (2007: USD118) for 2008.

However, such improvement was lower than our target in 2008. This was due to a number of factors:

- our hotel management contract with IHG was signed in October 2007, and this was after the signing period for the majority of corporate account business in 2008, which is normally completed in the fourth quarter of each year;

- the hotel industry in China was adversely affected by the Sichuan earthquake in May entertainment throughout China;

- the travel industry expected the number of foreign visitors to increase in the run up t However, the Chinese government, in the interest of security for the Games, imposed stringent restrictions on the issuance of foreign visas in the second quarter of 2008. This resulted in the cancellat conferences and seminars across China and sharply reduced the expected number of business travellers; and

- although the second half of the year is normally more robust, the worldwide financial crisis began to have a negative impact on foreign travel into China and Shenzhen in the last quarter.

During the fourth quarter of 2008, IHG signed corporate account agreements covering 2009 with a number of key international and Chinese clients for the hotel. We believe these agreements will help reduce the negative impact of the worldwide financial crisis on the hotel and we expect the hotel to contribute positively to the Group in 2009.

The occupancy level in the first two months of 2009 improved to 51.9%, compared to 40.2% in the first two months of 2008. Our hotel's performance is encouraging particularly given that the first two months of any year are off-peak and the fact that the market in 2009 is being adversely impacted by the global financial crisis. We believe the Company has made the right decision in engaging IHG and the hotel is expected to continue increasing its contribution to the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties facing the business are:

- **Reliance on the Chinese market**

The Company's businesses are primarily conducted in China. If there is a significant adverse change in the political, economic or social conditions of the Chinese economy, foreign trade or monetary policies, or legal or regulatory requirements or taxation in China, the Group's profitability and prospects may be adversely and materially affected.

- **Implementation of business plans and growth strategies**

The Group's success in the future will, besides maintaining its competitiveness in the market, depend on its ability to implement its business plans. The successful implementation of such plans may be influenced by factors which may or may not be within the Group's control.

- **Pharmaceutical product liability**

Under the current PRC laws, manufacturers and vendors of defective products in China may incur liability for loss and injury caused by such products. Pursuant to the General Principles of the Civil Law of the PRC (the "PRC Civil Law"), which took effect in 1987, a defective product which causes property damage or physical injury to any person may expose the manufacturer or vendor of such product to civil liability for such damage or injury.

In 1993, the PRC Civil Law was supplemented by the Product Quality Law of the People's Republic of China (the "Product Quality Law"), which was enacted to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. Pursuant to the Product Quality Law, manufacturers who produce defective products may be subject to criminal liability and have their business licenses revoked.

In 1993, the Law of the PRC on Protection of Consumers' Rights and Interests (the "Consumers Protection Law") was promulgated which accords further protection to the legal rights and interests of consumers in connection with the purchase or use of goods and services. At present, all business entities must observe and comply with the Consumers Protection Law in providing goods and/or consumer services. Should any product liability claims made against the Group be successful, there would be an adverse impact on their operations, their financial condition and their reputation. The Group has not maintained any product liability insurance to cover any claim in this respect.

There is no assurance that the Group will not receive claims against their products, whether accidental or not. Any such claim, regardless of its merits, could result in costly litigation fees and put a strain on their administrative resources. In addition, such claims could damage their relationship with their customers and result in negative publicity.

- **Renewal of permits and business licenses**

As a pre-requisite for carrying on pharmaceutical, manufacturing and distribution business in China, all pharmaceutical enterprises are required to obtain certain certificates, permits and business licenses from various regulatory authorities, including a Pharmaceutical Manufacturing Enterprise Permit and/or a Pharmaceutical Distribution Enterprise Permit.

The Group has obtained all relevant requisite certificates, permits and business licenses from the relevant regulatory authorities for the manufacture and/or distribution of its products.

However, these certificates, permits and business licenses are subject to periodic renewal, reassessment by the relevant Chinese regulatory authorities and the standards of compliance required in relation thereto may from time to time be subject to changes.

If such permits are not renewed, it will have a material adverse effect on the relevant operation of the Group. There may be a possibility that the Group will not be able to carry on the business concerned without such permits and business licenses being renewed. In addition, it may be costly for the Group to comply with any subsequent modification of, additions or new restrictions to, these compliance standards. Should there be any subsequent modification of, addition or new restrictions to the above compliance standards, it would impose an additional burden on the Group which will directly affect its profitability.

- **Price control**

The prices of certain pharmaceutical products in China are subject to control by the relevant state and provincial price administration authorities. In practice, price control on most pharmaceutical products is to set a ceiling on the price of each subject product. The actual price for any given price-controlled product set by manufacturers, wholesalers and retailers cannot exceed the price ceiling imposed in accordance with the applicable government price control rules. Only those pharmaceutical products which are included in the price control lists administered at the state or provincial level are subject to price control.

In the event that the costs of sale of products of the Group, which are under the price conti applications for price increase are not approved by the Chinese regulatory authorities, the profitability of such products may be adversely affected. There is no assurance that products which are currently not under the price control lists will not be included in the price control lists in the future.

- **Currency conversion in China and exchange rate risk**

The Chinese government regulates the conversion between Renminbi and foreign currencies. Over the years, the government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service-related foreign exchange transactions and payment of dividends. However, foreign exchange transactions under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, the State Administration of Foreign Exchange or its branches (the "SAFE").

Changes in the relevant regulations or shortages in foreign currency may restrict the ability of the Group's subsidiaries in China to remit sufficient foreign currency to pay dividends or other payments to the Group, or otherwise satisfy its foreign currency-denominated obligations.

The value of Renminbi is subject to changes of the Chinese government's policies and, to a large extent, depends on the Chinese domestic and international economic and political developments, as well as supply and demand in the Chinese market. Any fluctuation in the exchange rate of the Renminbi may affect the results of the Group's operations or financial performance.

The Group currently does not have a foreign currency hedging policy. However, the management exposure and will consider hedging significant foreign currency exposure should the need arise.

- **Economic and legal considerations**

The Chinese economy has been transitioning from a centrally planned economy to a more market-oriented economy. For more than two decades, the Chinese government has implemented economic reform measures emphasising on the utilisation of market forces in the development of the Chinese economy. The Group cannot predict whether these changes in Chinese economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial condition or results of operations.

Future development

We believe our pharmaceutical and healthcare businesses will generate long-term organic growth in the future.

The Lansen Group believes that rheumatology is still at its early stage of development in China and should offer higher growth potential than the pharmaceutical industry in general. The Lansen Group intends to build on its strength, particularly its image and position in rheumatology and aims to achieve consistent high profit growth. The Lansen Group's research and development on new drugs and drug application are in progress and it is expected that a pipeline of new drugs would be developed for the next few years.

We will continue to monitor further potential business opportunities in the healthcare product market as a natural extension to the pharmaceutical business. The intention is to build and strengthen our product pipeline and enable our healthcare and pharmaceutical business to sustain long-term growth.

We believe the hotel will continue to benefit from the management and global guest booking systems of the Crowne Plaza Hotel & Suites brand provided by IHG and we expect it to continue contributing positively to Group profits.

Research and development

The Lansen Group has budgeted for investment in research and development of approximately US drugs and drug applications primarily for treatment of rheumatic disease. It is anticipated that the I with a similar level of investment in research and development in the next few years.

Tianjin Longbai Biological Engineering and Technology Company Limited ("Longbai") continues working with the Lansen Group on the application for production licenses for drugs using its oral fast release method and w development of other drug delivery methods.

Financial risks
The Group is exposed to a variety of financial risks which result from its operating and investing activities. The Group's risk management is coordinated at its headquarters in close cooperation with the Board of Directors and focuses on actively securing the Group's short to medium term cash flows.

GROUP INCOME STATEMENT

	Note	Year ended 31 December 2008 USD'000	Year ended 31 December 2007 USD'000
REVENUE	2	65,053	34,179
COST OF SALES		(36,436)	(18,115)
GROSS PROFIT		28,617	16,064
OTHER INCOME		2,287	1,962
SELLING AND DISTRIBUTION EXPENSES		(15,353)	(10,323)
ADMINISTRATIVE EXPENSES		(10,695)	(10,484)
PROFIT/(LOSS) FROM OPERATIONS	2	4,856	(2,781)
SHARE OF LOSS OF AN ASSOCIATE		-	(21)
FINANCE COSTS		(6,919)	(5,093)
LOSS BEFORE INCOME TAX	2	(2,063)	(7,895)
INCOME TAX EXPENSE	4	(911)	(370)
LOSS FOR THE YEAR		(2,974)	(8,265)
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE PARENT		(3,369)	(8,026)
MINORITY INTERESTS		395	(239)
		(2,974)	(8,265)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT	5		
BASIC		(1.22 cents)	(2.91 cents)
DILUTED		N/A	N/A

GROUP BALANCE SHEET

	As at 31 December 2008 USD'000	As at 31 December 2007 USD'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment, comprise:	156,137	147,843
Hotel properties, at valuation (of which, equity investment cost was USD101,534,000 (2007: USD101,699,000))	125,850	124,982
Other property, plant and equipment	30,287	22,861
Land use rights	3,090	2,953
Investment property	1,560	1,464
Intangible assets	2,550	1,299
Goodwill	10,012	8,702

Interest in an associate	-	804
Loans to minority shareholders	380	645
	173,729	163,710
CURRENT ASSETS		
Inventories	8,997	8,559
Trade and other receivables	35,600	24,421
Investments	385	-
Land use rights	68	63
Pledged bank deposits	878	5,466
Cash and cash equivalents	15,763	11,247
	61,691	49,756
TOTAL ASSETS	235,420	213,466
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Called up share capital	13,793	13,793
Share premium	10,216	10,216
Capital and special reserve	97,502	42,923
Revaluation reserve	11,056	63,429
Exchange equalisation reserve	(25,047)	(21,692)
Statutory reserve	1,883	1,849
Profit and loss account	(47,825)	(44,456)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	61,578	66,062
MINORITY INTERESTS	10,630	9,784
TOTAL EQUITY	72,208	75,846
NON-CURRENT LIABILITIES		
Borrowings	69,030	41,410
Deferred tax liabilities	20,399	16,992
	89,429	58,402
CURRENT LIABILITIES		
Borrowings	31,667	36,823
Current tax liabilities	528	671
Trade and other payables	41,588	41,724
	73,783	79,218
TOTAL LIABILITIES	163,212	137,620
TOTAL EQUITY AND LIABILITIES	235,420	213,466

GROUP CASH FLOW STATEMENT

	Year ended 31 December 2008 USD'000	Year ended 31 December 2007 USD'000
Cash flows from operating activities		
Loss before income tax	(2,063)	(7,895)
Adjustments for:		
Finance costs recognised in the income statement	6,919	5,093
Interest income	(746)	(166)
(Reversal of)/provision for trade receivables impairment	(665)	2,256
Provision for other receivables impairment	6	407
Depreciation	1,937	1,052

Amortisation of land use rights	63	29
Write off intangible assets	16	42
Share of loss of an associate	-	21
Loss on disposal of property, plant and equipment	129	39
Loss on deemed disposal of subsidiaries	-	260
Operating cash flows before movements in working capital	5,596	1,138
Decrease/(increase) in inventories	(521)	(703)
Increase in trade and other receivables	(8,794)	(8,934)
(Decrease)/increase in trade and other payables	(1,446)	5,287
Cash used in operations	(4,123)	(3,212)
Interest paid	(6,919)	(5,093)
Income tax paid	(808)	(155)
Net cash used in operating activities	(11,850)	(8,460)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,417)	(5,816)
Purchase of land use rights	-	(716)
Purchase of intangible assets	(421)	(495)
Investment in an associate	-	(616)
Acquisition of subsidiaries	(1,355)	(1,916)
Payments for investments	(385)	-
Interest received	746	166
Decrease/(increase) in pledged bank deposits	4,876	(5,466)
Net cash used in investing activities	(3,956)	(14,859)
Cash flows from financing activities		
Capital element of finance lease payment	(12)	(12)
Proceeds from borrowings	40,545	33,384
Repayment of borrowings	(21,290)	-
Proceeds from loans to minority shareholders	286	-
Loans to minority shareholders	(23)	(395)
Dividends paid to minority interests	(288)	-
Capital injection from minority interests	96	-
Redeem shares from minority interests	(147)	-
Net cash generated from financing activities	19,167	32,977
Net increase in cash and cash equivalents	3,361	9,658
Cash and cash equivalents at beginning of year	11,125	1,723
Effects of exchange rate changes	1,182	(256)
Cash and cash equivalents at end of year	15,668	11,125
Analysis of cash and cash equivalents		
Cash and bank balances	15,763	11,247
Bank overdrafts	(95)	(122)
	15,668	11,125

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING

This preliminary results statement and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) including all new and revised standard effective for the period commencing 1 January 2008.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of hotel properties and investment property.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group and the Company had net current liabilities of approximately USD12,092,000 (2007: USD29,462,000) and USD10,681,000 (2007: USD8,726,000), respectively, as at 31 December 2008. The Directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements.

In addition, the intermediate holding company of the Company has undertaken to extend the repayment date of the amount of USD21,855,000 due to it from the Group if it is not financially viable to make the repayment on or before 31 December 2009. The Directors do not foresee that the banks will not continue to make available bank loan facilities for the Group. Accordingly, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the next twelve months from 31 December 2008 without significant curtailment of operations and are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

2. SEGMENTAL INFORMATION

2.1 Business Segments

For management purposes the Group is currently organised into business segments as reported below:

	Pharmaceutical		Hotel Operations	Corporate Office/ Unallocated	
	Research & Development	Production, Marketing & Distribution			
	USD'000	USD'000	USD'000	USD'000	U
For the year ended 31 December 2008					
Revenue	-	55,963	9,090	-	
Profit/(loss) from operations	(1,231)	7,680	1,002	(2,595)	
Finance cost	-	(1,770)	(2,383)	(2,766)	
Profit/(loss) before income tax	(1,231)	5,910	(1,381)	(5,361)	
Segment assets	3,588	84,052	145,778	2,002	[illegible]

Segment liabilities	157	42,904	19,991	100,160
Capital expenditures	17	7,162	1,284	136
Depreciation	297	1,416	201	23
Amortisation	6	57	-	-
Non-cash expenses	-	6	-	-

For the year ended 31 December 2007				
Revenue	-	26,684	7,495	-
Profit/(loss) from operations	(1,211)	929	(670)	(1,829)
Share of loss of an associate	-	(21)	-	-
Finance cost	-	(975)	(1,634)	(2,484)
Loss before income tax	(1,211)	(67)	(2,304)	(4,313)
Segment assets	3,872	68,423	139,832	1,339
Segment liabilities	150	32,823	40,571	64,076
Capital expenditures	92	5,610	1,319	6
Depreciation	340	508	189	15
Amortisation	6	23	-	-
Non-cash expenses	-	2,663	-	-

2.2 Geographical Segments

	Asia USD'000	Europe USD'000	America USD'000
For the year ended 31 December 2008			
Revenue	59,388	2,338	3,327
Segment assets	234,292	132	996
Capital expenditures	8,599	-	-
For the year ended 31 December 2007			
Revenue	34,050	13	116
Segment assets	211,414	142	1,910
Capital expenditures	7,027	-	-

In respect of geographical segment reporting, revenue and segment assets are based on the location of the customers and capital expenditures relate to where the assets are located.

3. DIRECTORS' EMOLUMENTS

The Directors at 31 December 2008 were as follows:

J.R.H. Buchanan
Wu Zhen Tao
S. B. Hunt
J.H. Cosson
P. Sung

Their aggregate emoluments for the year ended 31 December 2008 were USD385,000 (2007: USD415,000).

4. INCOME TAX EXPENSE

	Year ended 31 December 2008 USD'000	Year ended 31 December 2007 USD'000
Current tax		
- PRC Enterprise Income Tax	789	370
Deferred tax		
- PRC withholding tax	122	-
	911	370

5. LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT

Basic loss per share is based upon the loss after tax attributable to equity holders of the parent of USD3,369,000 (2007: loss of USD8,026,000) and the weighted average number of A Shares and Common Shares in issue during the year of 11,797,446 and 264,062,658 respectively (2007: A Shares, Common Shares: 11,813,634 and 264,046,471).

No diluted earnings per share is presented, as the Company did not have any potential ordinary shares outstanding.

6. FINANCIAL INFORMATION

This preliminary results statement was approved by the Board of Directors on 6 April 2009. The above results for the year ended 31 December 2008 have been abridged from the full Group accounts for that year, which received an unqualified auditors' report and which will be delivered to the Registrar of Companies shortly.

The Annual Report and Financial Statements will be posted to shareholders as soon as practicable. Further copies will be available from the company's registered office at Canon Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Annual General Meeting of the Company will be held at 11:00 a.m. on 30 April 2009 at Private Suite 1, The May Fair Hotel, Stratton Street, London W1J 8LT.

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