

Genesis Pharmaceuticals Enterprises, Inc.  
Form S-1/A  
August 26, 2008

As filed with the Securities and Exchange Commission on August 25, 2008

Registration No. 333-152328

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 1  
TO**

**FORM S-1  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**GENESIS PHARMACEUTICALS ENTERPRISES, INC.**

**Florida**

**2834**

**65-1130026**

(State or Other Jurisdiction of  
Incorporation or Organization)

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer Identification  
Number)

**Middle Section, Longmao Street,  
Area A, Laiyang Waixiangxing Industrial Park  
Laiyang City, Yantai, Shandong Province, PRC 710075  
+86 535 7282997**

*(Address, including zip code, and telephone number including area code, of Registrant's principal executive offices)*

**Wubo Cao  
Chief Executive Officer  
Genesis Pharmaceuticals Enterprises, Inc.  
Middle Section, Longmao Street,  
Area A, Laiyang Waixiangxing Industrial Park  
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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.  x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

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**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered (1)</b>	<b>Proposed maximum offering price per share (2)</b>	<b>Proposed maximum aggregate offering price</b>	<b>Amount of registration fee</b>
Common Stock, \$.001 par value per share	25,000,000(3) \$	0.215 \$	5,375,000 \$	211.24
Common Stock, \$.001 par value per share	16,000,000(4) \$	0.215 \$	3,440,000 \$	135.20
Common Stock, \$.001 par value per share	150,000,000(5) \$	0.215 \$	32,250,000 \$	1,268.00
Common Stock, \$.001 par value per share	75,000,000(6) \$	0.215 \$	16,125,000 \$	633.71
<b>TOTAL</b>	<b>266,000,000</b>	<b>—\$</b>	<b>57,190,000 \$</b>	<b>2,248.15</b>

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended, the shares of common stock offered hereby also include such presently indeterminate number of shares of our common stock as shall be issued by us to the selling shareholders as a result of stock splits, stock dividends or similar transactions.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended based on the average of the bid and asked prices, as reported on the Over the Counter Bulletin Board on July 8, 2008.

(3) The 25,000,000 shares of common stock are being registered for resale by the Selling Stockholders named in this registration statement, which shares are issuable by the registrant upon the conversion of the Company's 6% Convertible Subordinated Debentures due November 30, 2010.

(4) The 16,000,000 shares of common stock are being registered for resale by the Selling Stockholders named in this registration statement, which shares are issuable by the registrant upon the exercise of the Company's warrants issued in November 2007.

(5) The 150,000,000 shares of common stock are being registered for resale by the Selling Stockholders named in this registration statement, which shares are issuable by the registrant upon the conversion of the Company's 6% Convertible Notes due May 30, 2011.

(6) The 75,000,000 shares of common stock are being registered for resale by the Selling Stockholders named in this registration statement, which shares are issuable by the registrant upon the exercise of the Company's Class A Warrants issued in May 2008.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said

section 8(a), may determine.

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Preliminary Prospectus**

**Subject To Completion, Dated August 25, 2008**

**GENESIS PHARMACEUTICALS ENTERPRISES, INC.**

**266,000,000 Shares of Common Stock**

This prospectus relates to the sale of up to a total of 266,000,000 shares of common stock of Genesis Pharmaceuticals Enterprises, Inc., a Florida corporation, that may be sold from time to time by the selling stockholders named in this prospectus on page 24 (“Selling Stockholders”) following the issuance by the Company of (i) 25,000,000 shares upon the conversion of \$5,000,000 principal amount of the Company’s 6% Convertible Subordinated Debentures due November 30, 2010 (the “Debentures”) at a conversion price of \$.20 per share, (ii) 16,000,000 shares upon the exercise of the Company’s warrants issued in November 2007 (the “November Warrants”) at an exercise price of \$.20 per share, (iii) 150,000,000 shares upon the conversion of \$30,000,000 principal amount of the Company’s 6% Convertible Notes due May 30, 2011 (the “Notes”) at a conversion price of \$.20 per share and (iv) 75,000,000 shares upon the exercise of the Company’s Class A Warrants (the “Class A Warrants”) issued in May 2008 at an exercise price of \$.25 per share.

We will not receive any of the proceeds from the sale of shares by the Selling Stockholders. However, we will receive the proceeds from any exercise of the November Warrants and/or the Class A Warrants to purchase shares to be sold hereunder to the extent that the Selling Stockholders do not perform cashless exercises. We will also receive the benefit of the reduction in our outstanding indebtedness in consideration for the issuance of the shares issued upon conversion of the Debentures and the Notes to be sold hereunder. See “Use of Proceeds.”

The prices at which the Selling Stockholders may sell their shares will be determined by the prevailing market price for the shares or in privately negotiated transactions. Information regarding the Selling Stockholders and the times and manner in which they may offer and sell the shares under this prospectus is provided under “Selling Stockholders” and “Plan of Distribution” in this prospectus.

Our common stock is traded in the over-the-counter market and prices are reported on the Over-The-Counter (“OTC”) Bulletin Board under the symbol: “GTEC”. The last closing price of our common stock on August 22, 2008 was \$0.18. You are urged to obtain current market quotations of our common stock before purchasing any of the shares being offered for sale pursuant to this prospectus.

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SHARES ONLY IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. SEE “RISK FACTORS” BEGINNING ON PAGE 5 FOR A DISCUSSION OF RISKS APPLICABLE TO US AND AN INVESTMENT IN OUR COMMON STOCK.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**The date of this prospectus is \_\_\_\_\_, 2008**



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## PROSPECTUS SUMMARY

*This summary highlights selected information appearing elsewhere in this prospectus. While this summary highlights what we consider to be the most important information about us, you should carefully read this prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our common stock, especially the risks of investing in our common stock, which we discuss later in “Risk Factors,” and our consolidated financial statements and related notes beginning on page F-1. Unless the context requires otherwise, the words “we,” the “company,” “us,” and “our” refer to Genesis Pharmaceuticals Enterprises, Inc. and our subsidiaries.*

### The Company

#### Overview

We operate, control and beneficially own the pharmaceutical business of Laiyang Jiangbo. Laiyang Jiangbo researches, develops, manufactures, markets and sells pharmaceutical products and health supplements in the PRC. From our inception in 2001 until our acquisition of Karmoya International Ltd. (“Karmoya”) in October 2007, we were a business development and marketing firm specializing in advising and providing turn-key solutions for Chinese small and mid-sized companies entering Western markets.

#### Corporate Structure

The following diagram illustrates our corporate structure:

## About the Offering

On May 30, 2008, we entered into a Securities Purchase Agreement, pursuant to which, on May 30, 2008, we sold to the selling stockholders in this offering \$30,000,000 principal amount of our Notes and Class A Warrants to purchase 75,000,000 shares of our common stock, in transactions exempt from registration under the Securities Act.

On November 6, 2007, we entered into a Securities Purchase Agreement with Pope Investments, LLC, one of the selling stockholders in this offering, pursuant to which, on November 7, 2007, we issued and sold to Pope Investments, LLC, \$5,000,000 principal amount of our Debentures and November Warrants to purchase 10,000,000 shares of our common stock (later adjusted to 16,000,000 shares of our common stock) in transactions exempt from registration under the Securities Act.

The terms of these transactions are described in greater detail later in this prospectus under “Management’s Discussion and Analysis and Plan of Operations - Recent Financings” beginning on page 42.

This prospectus covers the resale of 266,000,000 shares of our common stock by the selling stockholders, including:

- 25,000,000 shares issuable upon the conversion of the Debentures at a conversion price of \$.20 per share,
- 16,000,000 shares issuable upon the exercise of the November Warrants at an exercise price of \$.20 per share,
- 150,000,000 shares issuable upon the conversion of the Notes at a conversion price of \$.20 per share, and
- 75,000,000 shares issuable upon the exercise of the Class A Warrants at an exercise price of \$.25 per share.

The selling stockholders may resell their shares from time to time, including through broker-dealers, at prevailing market prices. We will not receive any proceeds from the resale of our shares by the selling stockholders. However, we will receive the proceeds from any exercise of November Warrants and/or Class A Warrants to purchase shares to be sold in this offering to the extent that the selling stockholders do not perform cashless exercises. We will also receive the benefit of the reduction in our outstanding indebtedness in consideration for the issuance of the shares to be sold in this offering issued upon conversion of the Debentures and the Notes. We will pay all of the fees and expenses associated with registration of the shares covered by this prospectus.

## Executive Offices

Our executive offices are located at Middle Section Longman Street, Area A, Laiyang Waixiangxing Industrial Park, Laiyang City, Yantai, Shandong Province, PRC 710075. Our telephone number is 86-535-7282997. Our corporate website is [www.genesis-china.net](http://www.genesis-china.net). Information contained on or accessed through our website is not intended to constitute and shall not be deemed to constitute part of this prospectus.

**THE OFFERING**

Common Stock being offered by Selling Stockholders	Up to 266,000,000 shares
OTCBB Symbol	GTEC
Risk Factors	The securities offered by this prospectus are speculative and involve a high degree of risk and investors purchasing securities should not purchase the securities unless they can afford the loss of their entire investment. See "Risk Factors" beginning on page 7.

**CERTAIN DISCLOSURE REGARDING CONVERSION OF THE DEBENTURES AND NOTES AND EXERCISE OF NOVEMBER WARRANTS AND CLASS A WARRANTS**

The total dollar value dollar value of the common stock underlying the 6% Convertible Subordinate Debentures due November 30, 2010 (the "Debentures") and the common stock purchase warrants (the "November Warrants") issued in connection with the Company's November 2007 private placement was \$12,000,000 on November 7, 2007. This number is based on the contractually agreed minimum number of underlying securities to be registered for resale at such time (30,000,000) and the market price per share (\$0.40) for the Company's common stock on November 7, 2007, the date of issuance of the Debentures and November Warrants.

The total dollar value dollar value of the common stock underlying the 6% Convertible Notes due May 30, 2010 (the "Notes") and the common stock purchase warrants (the "Class A Warrants") issued in connection with the Company's May 2008 private placement was \$67,500,000 on May 30, 2008. This number is based on the contractually agreed minimum number of underlying securities to be registered for resale at such time (225,000,000) and the market price per share (\$0.30) for the Company's common stock on May 30, 2008, the date of issuance of the Notes and Class A Warrants.

November 2007 private placement

The following are tables disclosing the dollar amount of each payment required to be made by the Company to any selling shareholder or any affiliate of a selling shareholder. There are no other persons with whom any selling shareholder has a contractual relationship with regarding the transactions.

Gross proceeds from issuance of the Debentures:	\$ 5,000,000.00
Payments in connection with the transaction that the Company has made or will make:	
Finder's fee (1)	\$ 250,000.00
Pope Investments, LLC (legal fees reimbursement)(2)	\$ 20,000.00
Legal fees (1)	\$ 69,000.00
<b>Total Payments made by the Company:</b>	<b>\$ 339,000.00</b>
<b>Net proceeds to issuer:</b>	<b>\$ 4,661,000.00</b>

(1) Not paid to a selling shareholder or any affiliate of a selling shareholder.

(2) Pope Investments, LLC is a selling shareholder.

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The following is a table disclosing the interest payments required to be made to Pope Investments, LLC, one of the selling shareholders, during the life of the Debentures.

Date	Interest Payment Amount
5/31/2008	\$ 150,000.00
11/30/2008	\$ 150,000.00
5/31/2009	\$ 150,000.00
11/30/2009	\$ 150,000.00
5/31/2010	\$ 150,000.00
<b>Total Interest Payments</b>	<b>\$ 750,000.00</b>

The net proceeds to the Company from the sale of the Debentures was \$4,661,00.00 on November 7, 2007; such amount includes the payment of fees, including legal fees and finder's fees, associated with the placement of the Debentures and November Warrants. The total amount of possible payments, including interest payments but excluding the repayment of principal, to Pope Investments, LLC and any of its affiliates in the first year following November 7, 2007, the date of sale of the Debentures, and assuming that none of the Debentures are converted into common stock would be \$300,000.00.

May 2008 private placement

The following are tables disclosing the dollar amount of each payment required to be made by the Company to any selling shareholder or any affiliate of a selling shareholder. There are no other persons with whom any selling shareholder has a contractual relationship with regarding the transactions.

Gross proceeds from issuance of the Notes:	\$ 30,000,000.00
Payments in connection with the transaction that the Company has made or will make:	
Placement agent fees(1)	\$ 1,500,000.00
Legal fees(1)	\$ 166,500.00
Pope Investments, LLC (legal fees reimbursement)(2)	\$ 20,000.00
Bank wire fees, printing and shipping fees (3)	\$ 3,510.00
<b>Total Payments made by the Company:</b>	<b>\$ 1,690,010.00</b>
<b>Net proceeds to issuer:</b>	<b>\$ 28,309,990.00</b>

(1) Not paid to a selling shareholder or any affiliate of a selling shareholder.

(2) Pope Investments, LLC is a selling shareholder.

The following is a table disclosing the interest payments required to be made to the selling shareholders during the life of the Notes.

Date	Interest Payment Amount
11/30/2008	\$ 900,000.00
5/30/2009	\$ 900,000.00
11/30/2009	\$ 900,000.00
5/30/2010	\$ 900,000.00
11/30/2010	\$ 900,000.00
5/30/2011	\$ 900,000.00
<b>Total Interest Payments</b>	<b>\$ 5,400,000.00</b>

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The net proceeds to the Company from the sale of the Notes was \$24,313,500 on May 30, 2008; such amount includes the payment of fees, including legal fees, finder's fees and bank wire, printing and shipping fees, associated with the placement of the Notes and Class A Warrants and holdback amounts. Subsequent to May 30, 2008, the Company received the remaining \$3,996,490 from the release of the holdback amounts. The total amount of possible payments, including interest payments but excluding the repayment of principal, to the selling shareholders and any of their affiliates in the first year following May 30, 2008, the date of sale of the Notes, and assuming that none of the Notes are converted into common stock would be \$1,800,000.

The following is a table disclosing the aggregate amount of possible profit which could be realized by the selling shareholders as a result of the conversion discount for the securities underlying the Debentures and November Warrants.

The conversion price of \$0.25 for the Debentures on the date of issuance represents a discount of \$0.15 to \$0.40 which was the market price per share for our common stock on November 7, 2007, the date of issuance of the Debentures and November Warrants. The exercise price of \$0.32 for the November Warrants on the date of issuance represents a discount of \$0.08.

Market price per share on November 7, 2007 of common stock underlying the Debentures and November Warrants:	\$ 0.40
Conversion price per share on November 7, 2007 of securities underlying the Debentures:	\$ 0.25
Exercise price per share on November 7, 2007 of securities underlying the November Warrants	\$ 0.32
Total shares underlying Debentures (at a conversion price of \$0.25)	20,000,000
Total shares underlying November Warrants	10,000,000
Combined market price of the total number of shares (20,000,000) underlying the Debentures using \$0.40 market price	\$ 8,000,000
Combined conversion price of shares underlying the Debentures	\$ 5,000,000
<b>Total possible discount to market price of shares underlying the Debentures</b>	<b>\$ 3,000,000</b>
Combined market price of the total number of shares (10,000,000) underlying the November Warrants using \$0.40 market price	\$ 4,000,000
Combined exercise price of shares underlying the November Warrants	\$ 3,200,000
<b>Total possible discount to market price of shares underlying the November Warrants</b>	<b>\$ 800,000</b>
<b>Total possible discount to market price:</b>	<b>\$ 3,800,000</b>

Pursuant to the terms of the Debentures, if the Company closes on the sale or issuance of common stock at a price, or issues convertible securities with a conversion price or exercise price which is less than the conversion price then in effect, the conversion price will be reduced to the lower price.

Pursuant to the terms of the November Warrants, if the Company closes on the sale or issuance of common stock at a price, or issues convertible securities with a conversion price or exercise price which is less than the conversion price then in effect, the exercise price will be reduced to the lower price and the number of shares of common stock underlying the November Warrants will be adjusted.

As a result of the May 2008 private placement:

- pursuant to section 3(g)(ii) of the Debentures, the conversion price was reduced from \$0.25 to \$0.20 per share; and
- pursuant to sections 6(c) and 6(d) of the November Warrants, the exercise price of the November Warrants was reduced from \$0.32 to \$0.20 and the total number of shares of common stock underlying the November Warrants

was increased to 16,000,000 from 10,000,000.

The following is a table disclosing the aggregate amount of possible profit which could be realized by the selling shareholders as a result of the conversion discount for the securities underlying the Notes and the Class A Warrants.

The conversion price of \$0.20 for the Notes represents a discount of \$0.10 to \$0.30 which was the market price per share for our common stock on May 30, 2008, the date of issuance of the Notes and the Class A Warrants. The exercise price of \$0.25 for the Class A Warrants represents a discount of \$0.05.

Market price per share on May 30, 2008 of common stock underlying the Notes and Class A Warrants:	\$	0.30
Conversion price per share on May 30, 2008 of securities underlying the Notes:	\$	0.20
Exercise price per share on May 30, 2008 of securities underlying the Class A Warrants	\$	0.25
Total shares underlying Notes (at a conversion price of \$0.20)		150,000,000
Total shares underlying Class A Warrants		75,000,000
Combined market price of the total number of shares (150,000,000) underlying the Notes using \$0.30 market price	\$	45,000,000
Combined conversion price of shares underlying the Notes	\$	30,000,000
<b>Total possible discount to market price of shares underlying the Notes</b>	<b>\$</b>	<b>15,000,000</b>
Combined market price of the total number of shares (75,000,000) underlying the Class A Warrants using \$0.30 market price	\$	22,500,000
Combined exercise price of shares underlying the Class A Warrants	\$	18,750,000
<b>Total possible discount to market price of shares underlying the November Warrants</b>	<b>\$</b>	<b>3,750,000</b>
<b>Total possible discount to market price:</b>	<b>\$</b>	<b>18,750,000</b>

The following is a table disclosing the gross proceeds paid or payable to the Company in connection with the November 2007 private placement of the Debentures and the November Warrants along with the payments required to be made by the issuer, the resulting net proceeds and the aggregate potential profit realizable by the selling shareholders as a result of discounts to the market price relating to the conversion price of the Debentures and the exercise price of the November Warrants:

	Amount	% of Net Proceeds
Gross proceeds paid to issuer:	\$ 5,000,000	
All payments that have been made by issuer:	\$ 339,000	7.27%
Net proceeds to issuer:	\$ 4,661,000	100.00%
Combined total possible profit as a result of discounted conversion price of the Debentures	\$ 3,000,000	64.36%
Combined total possible profit as a result of discounted exercise price of the November Warrants	\$ 800,000	17.16%

The following is a table disclosing the gross proceeds paid or payable to the Company in connection with the May 2008 private placement of the Notes and the Class A Warrants along with the payments required to be made by the issuer, the resulting net proceeds and the aggregate potential profit realizable by the selling shareholders as a result of discounts to the market price relating to the conversion price of the Notes and the exercise price of the Class A Warrants :

	Amount	% of Net Proceeds
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Gross proceeds paid to issuer:	\$ 30,000,000	-
All payments that have been made by issuer:	\$ 1,690,010	5.97%
Net proceeds to issuer:	\$ 28,309,990	100.00%
Combined total possible profit as a result of discounted conversion price of the Notes	\$ 15,000,000	52.98%
Combined total possible profit as a result of discounted exercise price of the Class A Warrants	\$ 3,750,000	13.25%

The following is a table comparing the shares outstanding prior to the November 2007 and May 2008 private placement transactions, number of shares registered by the selling shareholders, or their affiliates, in prior registration statements (along with that number still held and number sold pursuant to such prior registration statement) and the number of shares registered for resale in this Registration Statement relating to the financing transaction.

Number of shares outstanding prior to November 2007 private placement held by persons other than the selling shareholders, affiliates of the Company and affiliates of the selling shareholders	195,715,380
Number of shares outstanding prior to May 2008 private placement held by persons other than the selling shareholders, Affiliates of the Company and affiliates of the selling shareholders	194,815,380
Number of shares registered for resale by selling shareholders or affiliates in prior registration statements	0
Number of shares registered for resale by selling shareholders or affiliates of selling shareholders continue to be held by selling shareholders or affiliates of selling shareholder	0
Number of shares have been sold in registered resale by selling shareholders or affiliates of selling shareholders	0
Number of shares registered for resale on behalf of selling shareholders or affiliates of selling shareholders in current transaction (i)	266,000,000

(i) Includes (a) 25,000,000 shares issuable upon the conversion of the Debentures, (b) 16,000,000 shares issuable upon the exercise of the November Warrants, (c) 150,000,000 shares issuable upon the conversion of the Notes and (iv) 75,000,000 shares issuable upon the exercise of the Class A Warrants.

The Company has the intention, and the reasonable basis to believe, that it will have the financial ability to make all payments on the Debentures and the Notes when they become due and payable. The Company believes that because it has consistently strong revenues and net profit with a strong balance position, it will be able to meet its obligations under the Debentures and the Notes using the funds generated from its operations.

Other than its issuance and sale of (a) the Debentures and November Warrants in connection with the November 2007 private placement and (b) the Notes and Class A Warrants in connection with the May 2008 private placement to the selling shareholders, the Company has advised that in the past three years it has not engaged in any securities transaction with any of the selling shareholders, any affiliates of the selling shareholders, or, after due inquiry and investigation, to the knowledge of the management of the Company, any person with whom any selling shareholder

has a contractual relationship regarding the transaction (or any predecessors of those persons). In addition, other than in connection with the contractual obligations set forth in (i) the November Securities Purchase Agreement and the Securities Purchase Agreement, (ii) the Debentures, November Warrants, Notes and Class A Warrants and (iii) the November Registration Rights Agreement and the Registration Rights Agreement, the Company has advised that it does not have any agreements or arrangements with the selling shareholders with respect to the performance of any current or future obligations.

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

(in thousands, except per share information)

The following table presents summary consolidated financial data as of the dates and for the periods indicated. We have derived the summary of our consolidated statements of operations data for the years ended June 30, 2007, 2006 and, 2005 and our consolidated balance sheet data as of June 30, 2007 and 2006 from the audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated historical financial data as of and for the nine months ended March 31, 2008 and 2007 have been derived from the unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements include all adjustments which we consider necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period presented. Our historical results are not necessarily indicative of the results that may be expected in the future. The summary of our consolidated financial data set forth below should be read together with our consolidated financial statements and the notes thereto, as well as "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus.

	Nine Months Ended March 31,			Year Ended June 30,		
	2008	2007	2007	2006	2005	
	(unaudited)	(unaudited)				
<b>Statement of Operations Information:</b>						
Sales	\$ 66,648	\$ 52,876	\$ 72,260	\$ 45,243	\$ 10,852	
Sales- related party	4,612	2,964	3,934	3,913	1,899	
Cost of sales	17,744	15,724	21,162	15,686	8,772	
Gross profit	53,516	40,116	55,032	33,470	3,979	
Research and development	2,171	10,441	11,144	13,642	1,240	
General and administrative	29,269	18,491	25,579	7,895	1,689	
Income from operations	22,076	11,184	18,309	11,933	1,050	
Other expenses (income), net	2,404	211	(6,375)	387	253	
Income before provision for income taxes	19,672	10,973	24,684	11,546	797	
Provision for income taxes	6,809	3,568	2,631	3,810	263	
Net income	12,863	7,405	22,053	7,736	534	
Other comprehensive income	4,777	673	1,018	128	-	
Comprehensive income	17,640	8,078	23,071	7,864	534	

1. Other income for 2007 includes \$6,189 representing the reversal of tax accruals previously made as the result of the grant by the local tax agency to Laiyang Jiangbo of a special tax exemption and release from any unpaid corporate income tax and value added tax liabilities and any related penalties from January 1, 2007 through June 30, 2007.

	<b>As of March 31, 2008 (unaudited)</b>	<b>2007</b>	<b>As of June 30, 2006</b>
Balance Sheet Data:			
Cash and cash equivalents	\$ 21,574	\$ 17,737	\$ 3,372
Accounts receivable, net	20,589	11,825	9,759
Accounts receivable- related parties	2,019	499	414
Other current assets	12,412	14,038	16,882
Property and equipment, net	11,081	10,179	4,861
Other assets, net	12,911	1,119	1,185
<b>Total assets</b>	<b>80,586</b>	<b>55,397</b>	<b>36,473</b>
<b>Total Current Liabilities</b>	<b>25,835</b>	<b>28,101</b>	<b>27,032</b>
<b>Total Liabilities</b>	<b>26,506</b>	<b>28,101</b>	<b>27,032</b>
<b>Total Stockholders' Equity</b>	<b>54,080</b>	<b>27,296</b>	<b>9,441</b>

## RISK FACTORS

Investing in our securities involves a great deal of risk. Careful consideration should be made of the following factors as well as other information included in this prospectus before deciding to purchase our common stock. You should pay particular attention to the fact that we conduct all of our operations in China and are governed by a legal and regulatory environment that in some respects differs significantly from the environment that may prevail in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any or all of these risks.

THE FOLLOWING MATTERS MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION, LIQUIDITY, RESULTS OF OPERATIONS OR PROSPECTS, FINANCIAL OR OTHERWISE. REFERENCE TO THIS CAUTIONARY STATEMENT IN THE CONTEXT OF A FORWARD-LOOKING STATEMENT OR STATEMENTS SHALL BE DEEMED TO BE A STATEMENT THAT ANY ONE OR MORE OF THE FOLLOWING FACTORS MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENT OR STATEMENTS.

### *Risks Relating to Our Business*

#### **Our limited operating history makes it difficult to evaluate our future prospects and results of operations.**

We have a limited operating history. Laiyang Jiangbo commenced operations in 2003 and first achieved profitability in the fiscal year ended June 30, 2005. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries such as the pharmaceutical industry in China. Some of these risks and uncertainties relate to our ability to:

- maintain our market position in the pharmaceuticals business in China;
- offer new and innovative products to attract and retain a larger customer base;
- attract additional customers and increase spending per customer;
- increase awareness of our brand and continue to develop user and customer loyalty;
  - respond to competitive market conditions;
  - respond to changes in our regulatory environment;
  - manage risks associated with intellectual property rights;
  - maintain effective control of our costs and expenses;
  - raise sufficient capital to sustain and expand our business;
  - attract, retain and motivate qualified personnel; and
- upgrade our technology to support additional research and development of new products.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

**We may need additional financing to execute our business plan.**

The revenues from the production and sale of pharmaceutical products and the projected revenues from these products may not be adequate to support our expansion and product development programs. We may need substantial additional funds to build our new production facilities, pursue further research and development, obtain regulatory approvals, market our products, and file, prosecute, defend and enforce our intellectual property rights. We will seek additional funds through public or private equity or debt financing, strategic transactions and/or from other sources. We could enter into collaborative arrangements for the development of particular products that would lead to our relinquishing some or all rights to the related technology or products.

There are no assurances that future funding will be available on favorable terms or at all. If additional funding is not obtained, we will need to reduce, defer or cancel development programs, planned initiatives or overhead expenditures, to the extent necessary. The failure to fund our capital requirements would have a material adverse effect on our business, financial condition and results of operations.

**Our success depends on collaborative partners over whom we have limited control.**

Due to the complexity of the process of developing pharmaceuticals, our core business depends on arrangements with pharmaceutical institutes, corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, technology rights, manufacturing, marketing and commercialization of our products. We have several research collaborations. Our license agreements could obligate us to diligently bring potential products to market, make milestone payments and royalties that, in some instances, could be substantial, and incur the costs of filing and prosecuting patent applications. There are no assurances that we will be able to establish or maintain collaborations that are important to our business on favorable terms, or at all.

A number of risks arise from our dependence on collaborative agreements with third parties. Product development and commercialization efforts could be adversely affected if any collaborative partner:

terminates or suspends its agreement with us;

causes delays;

fails to timely develop or manufacture in adequate quantities a substance needed in order to conduct clinical trials;

fails to adequately perform clinical trials;

determines not to develop, manufacture or commercialize a product to which it has rights; or

otherwise fails to meet its contractual obligations.

Our collaborative partners could pursue other technologies or develop alternative products that could compete with the products we are developing.

**The profitability of our products will depend in part on our ability to protect proprietary rights and operate without infringing the proprietary rights of others.**

The profitability of our products will depend in part on our ability to obtain and maintain patents and licenses and preserve trade secrets, and the period our intellectual property remains exclusive. We must also operate without infringing the proprietary rights of third parties and without third parties circumventing our rights. The patent positions of pharmaceutical enterprises, including ours, are uncertain and involve complex legal and factual questions for which important legal principles are largely unresolved. The pharmaceutical patent situation outside the U.S. is uncertain, is currently undergoing review and revision in many countries, and may not protect our intellectual property rights to the same extent as the laws of the U.S. Because patent applications are maintained in secrecy in some cases, we cannot be certain that we or our licensors are the first creators of inventions described in our pending patent applications or patents or the first to file patent applications for such inventions.

Most of our drug products have been approved by the PRC's Food and Drug Administration (SFDA) but have not received patent protection. For instance, Clarithromycin sustained-release tablets, one of our most profitable products, are produced by other companies in China. If any other company were to obtain patent protection for Clarithromycin sustained-release tablets in China, or for any of our other drug products, it would have a material adverse effect on our revenue.

Other companies may independently develop similar products and design around any patented products we develop. We cannot assure you that:

- any of our patent applications will result in the issuance of patents;
- we will develop additional patentable products;
- the patents we have been issued will provide us with any competitive advantages;
- the patents of others will not impede our ability to do business; or
- third parties will not be able to circumvent our patents.

A number of pharmaceutical, research, and academic companies and institutions have developed technologies, filed patent applications or received patents on technologies that may relate to our business. If these technologies, applications or patents conflict with ours, the scope of our current or future patents could be limited or our patent applications could be denied. Our business may be adversely affected if competitors independently develop competing technologies, especially if we do not obtain, or obtain only narrow, patent protection. If patents that cover our activities are issued to other companies, we may not be able to obtain licenses at a reasonable cost, or at all; develop our technology; or introduce, manufacture or sell the products we have planned.

Patent litigation is becoming widespread in the pharmaceutical industry. Such litigation may affect our efforts to form collaborations, to conduct research or development, to conduct clinical testing or to manufacture or market any products under development. There are no assurances that our patents would be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe our patents in the event of patent litigation. Our business could be materially affected by an adverse outcome to such litigation. Similarly, we may need to participate in interference proceedings declared by the U.S. Patent and Trademark Office or equivalent international authorities to determine priority of invention. We could incur substantial costs and devote significant management resources to defend our patent position or to seek a declaration that another company's patents are invalid.

Much of our know-how and technology may not be patentable, though it may constitute trade secrets. There are no assurances that we will be able to meaningfully protect our trade secrets. We cannot assure you that any of our existing confidentiality agreements with employees, consultants, advisors or collaborators will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Collaborators, advisors or consultants may dispute the ownership of proprietary rights to our technology, for example by asserting that they developed the technology independently.

**We may encounter difficulties in manufacturing our products.**

Before our products can be profitable, they must be produced in commercial quantities in a cost-effective manufacturing process that complies with regulatory requirements, including GMP, production and quality control regulations. If we cannot arrange for or maintain commercial-scale manufacturing on acceptable terms, or if there are delays or difficulties in the manufacturing process, we may not be able to conduct clinical trials, obtain regulatory approval or meet demand for our products. Production of our products could require raw materials which are scarce or which can be obtained only from a limited number of sources. If we are unable to obtain adequate supplies of such raw materials, the development, regulatory approval and marketing of our products could be delayed.

**We could need more clinical trials or take more time to complete our clinical trials than we have planned.**

Clinical trials vary in design by factors including dosage, end points, length, and controls. We may need to conduct a series of trials to demonstrate the safety and efficacy of our products. The results of these trials may not demonstrate safety or efficacy sufficiently for regulatory authorities to approve our products. Further, the actual schedules for our clinical trials could vary dramatically from the forecasted schedules due to factors including changes in trial design, conflicts with the schedules of participating clinicians and clinical institutions, and changes affecting product supplies for clinical trials.

We rely on collaborators, including academic institutions, governmental agencies and clinical research organizations, to conduct, supervise, monitor and design some or all aspects of clinical trials involving our products. Since these trials depend on governmental participation and funding, we have less control over their timing and design than trials we sponsor. Delays in or failure to commence or complete any planned clinical trials could delay the ultimate timelines for our product releases. Such delays could reduce investors' confidence in our ability to develop products, likely causing our share price to decrease.





**We may not be able to obtain the regulatory approvals or clearances that are necessary to commercialize our products.**

The PRC and other countries impose significant statutory and regulatory obligations upon the manufacture and sale of pharmaceutical products. Each regulatory authority typically has a lengthy approval process in which it examines pre-clinical and clinical data and the facilities in which the product is manufactured. Regulatory submissions must meet complex criteria to demonstrate the safety and efficacy of the ultimate products. Addressing these criteria requires considerable data collection, verification and analysis. We may spend time and money preparing regulatory submissions or applications without assurances as to whether they will be approved on a timely basis or at all.

Our product candidates, some of which are currently in the early stages of development, will require significant additional development and pre-clinical and clinical testing prior to their commercialization. These steps and the process of obtaining required approvals and clearances can be costly and time-consuming. If our potential products are not successfully developed, cannot be proven to be safe and effective through clinical trials, or do not receive applicable regulatory approvals and clearances, or if there are delays in the process:

- the commercialization of our products could be adversely affected;
- any competitive advantages of the products could be diminished; and
- revenues or collaborative milestones from the products could be reduced or delayed.

Governmental and regulatory authorities may approve a product candidate for fewer indications or narrower circumstances than requested or may condition approval on the performance of post-marketing studies for a product candidate. Even if a product receives regulatory approval and clearance, it may later exhibit adverse side effects that limit or prevent its widespread use or that force us to withdraw the product from the market.

Any marketed product and its manufacturer will continue to be subject to strict regulation after approval. Results of post-marketing programs may limit or expand the further marketing of products. Unforeseen problems with an approved product or any violation of regulations could result in restrictions on the product, including its withdrawal from the market and possible civil actions.

In manufacturing our products we will be required to comply with applicable good manufacturing practices regulations, which include requirements relating to quality control and quality assurance, as well as the maintenance of records and documentation. If we cannot comply with regulatory requirements, including applicable good manufacturing practice requirements, we may not be allowed to develop or market the product candidates. If we or our manufacturers fail to comply with applicable regulatory requirements at any stage during the regulatory process, we may be subject to sanctions, including fines, product recalls or seizures, injunctions, refusal of regulatory agencies to review pending market approval applications or supplements to approve applications, total or partial suspension of production, civil penalties, withdrawals of previously approved marketing applications and criminal prosecution.

**Competitors may develop and market pharmaceutical products that are less expensive, more effective or safer, making our products obsolete or uncompetitive.**

Some of our competitors and potential competitors have greater product development capabilities and financial, scientific, marketing and human resources than we do. Technological competition from pharmaceutical companies is intense and is expected to increase. Other companies have developed technologies that could be the basis for competitive products. Some of these products have an entirely different approach or means of accomplishing the desired curative effect than products we are developing. Alternative products may be developed that are more effective, work faster and are less costly than our products. Competitors may succeed in developing products earlier than us, obtaining approvals and clearances for such products more rapidly than us, or developing products that are more effective than ours. In addition, other forms of treatment may be competitive with our products. Over time, our

technology or products may become obsolete or uncompetitive.

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**Our products may not gain market acceptance.**

Our products may not gain market acceptance in the pharmaceutical community. The degree of market acceptance of any product depends on a number of factors, including establishment and demonstration of clinical efficacy and safety, cost-effectiveness, clinical advantages over alternative products, and marketing and distribution support for the products. Limited information regarding these factors is available in connection with our products or products that may compete with ours.

To directly market and distribute our pharmaceutical products, we or our collaborators require a marketing and sales force with appropriate technical expertise and supporting distribution capabilities. We may not be able to further establish sales, marketing and distribution capabilities or enter into arrangements with third parties on acceptable terms. If we or our partners cannot successfully market and sell our products, our ability to generate revenue will be limited.

**Our operations and the use of our products could subject us to damages relating to injuries or accidental contamination.**

Our research and development processes involve the controlled use of hazardous materials. We are subject to PRC national, provincial and local laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and waste products. The risk of accidental contamination or injury from handling and disposing of such materials cannot be completely eliminated. In the event of an accident involving hazardous materials, we could be held liable for resulting damages. We are not insured with respect to this liability. Such liability could exceed our resources. In the future we could incur significant costs to comply with environmental laws and regulations.

**If we were successfully sued for product liability, we could face substantial liabilities that may exceed our resources.**

We may be held liable if any product we develop, or any product which is made using our technologies, causes injury or is found unsuitable during product testing, manufacturing, marketing, sale or use. These risks are inherent in the development of pharmaceutical products. We currently do not have product liability insurance. We are not insured with respect to this liability. If we choose to obtain product liability insurance but cannot obtain sufficient insurance coverage at an acceptable cost or otherwise protect against potential product liability claims, the commercialization of products that we develop may be prevented or inhibited. If we are sued for any injury caused by our products, our liability could exceed our total assets.

**We have limited business insurance coverage.**

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. We do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster may result in our incurring substantial costs and the diversion of our resources.

**Our business depends substantially on the continuing efforts of our executive officers and our ability to maintain a skilled labor force, and our business may be severely disrupted if we lose their services.**

Our future success depends substantially on the continued services of our executive officers, especially Wubo Cao our chief executive officer and the chairman of our board. We do not maintain key man life insurance on any of our executive officers. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a

competitor or forms a competing company, we may lose some of our customers.

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**Our success depends on attracting and retaining qualified personnel.**

We depend on a core management and scientific team. The loss of any of these individuals could prevent us from achieving our business objective of commercializing our product candidates. Our future success will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing and government regulation. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations. If our recruitment and retention efforts are unsuccessful, our business operations could suffer.

**We may not be able to manage the expansion of our operations effectively, which may have an adverse affect on our business and results of operations.**

The revenues from the production and sale of our current product offerings and the projected revenues from these products may not be adequate to support our expansion and product development programs. We will need substantial additional funds to expand our production facilities, pursue research and development, obtain regulatory approvals; file, prosecute, defend and enforce our intellectual property rights and market our products. We will seek additional funds through public or private equity or debt financing, strategic transactions and/or from other sources. We could enter into collaborative arrangements for the development of particular products that would lead to our relinquishing some or all rights to the related technology or products. There are no assurances that future funding will be available on favorable terms or at all. If additional funding is not obtained, we will need to reduce, defer or cancel development programs, planned initiatives or overhead expenditures, to the extent necessary. The failure to fund our capital requirements would have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Our Corporate Structure**

**PRC laws and regulations governing our businesses and the validity of certain of our contractual arrangements are uncertain. If we are found to be in violation, we could be subject to sanctions. In addition, changes in such PRC laws and regulations may materially and adversely affect our business.**

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with our affiliated Chinese entity, Laiyang Jiangbo, and its shareholders. We are considered a foreign person or foreign invested enterprise under PRC law. As a result, we are subject to PRC law limitations on foreign ownership of Chinese companies. These laws and regulations are relatively new and may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our businesses. We cannot assure you that our current ownership and operating structure would not be found in violation of any current or future PRC laws or regulations. As a result, we may be subject to sanctions, including fines, and could be required to restructure our operations or cease to provide certain services. Any of these or similar actions could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

The PRC government restricts foreign investment in pharmaceutical businesses in China. Accordingly, we operate our business in China through Laiyang Jiangbo. Laiyang Jiangbo holds the licenses and approvals necessary to operate our

pharmaceutical business in China. We have contractual arrangements with Laiyang Jiangbo and its shareholders that allow us to substantially control Laiyang Jiangbo. We cannot assure you, however, that we will be able to enforce these contracts.

Although we believe we comply with current PRC regulations, we cannot assure you that the PRC government would agree that these operating arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. If the PRC government determines that we do not comply with applicable law, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business.

**We may be adversely affected by complexity, uncertainties and changes in PRC regulation of pharmaceutical business and companies, including limitations on our ability to own key assets.**

The PRC government regulates the pharmaceutical industry including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the pharmaceutical industry. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be a violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of the pharmaceutical industry include the following:

- we only have contractual control over Laiyang Jiangbo. We do not own it due to the restriction of foreign investment in Chinese businesses; and
- uncertainties relating to the regulation of the pharmaceutical business in China, including evolving licensing practices, means that permits, licenses or operations at our company may be subject to challenge. This may disrupt our business, or subject us to sanctions, requirements to increase capital or other conditions or enforcement, or compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, pharmaceutical businesses in China, including our business.

**Our contractual arrangements with Laiyang Jiangbo and its shareholders may not be as effective in providing control over these entities as direct ownership.**

Since the law of the PRC limits foreign equity ownership in pharmaceutical companies in China, we operate our business through Laiyang Jiangbo. We have no equity ownership interest in Laiyang Jiangbo and rely on contractual arrangements to control and operate such business. These contractual arrangements may not be effective in providing control over Laiyang Jiangbo as direct ownership. For example, Laiyang Jiangbo could fail to take actions required for our business despite its contractual obligation to do so. If Laiyang Jiangbo fails to perform under its agreements with us, we may have to incur substantial costs and resources to enforce such arrangements and may have to rely on legal remedies under the law of the PRC, which may not be effective. In addition, we cannot assure you that Laiyang Jiangbo's shareholders would always act in our best interests.

**The Chairman of the Board of Directors of Laiyang Jiangbo has potential conflicts of interest with us, which may adversely affect our business.**

Mr. Cao Wubo, our Chairman and Chief Executive Officer, is also the Chairman of the Board of Directors and General Manager of Laiyang Jiangbo. Conflicts of interests between his duties to our company and Laiyang Jiangbo

may arise. As Mr. Cao is a director and executive officer of our company, he has a duty of loyalty and care to us under Florida law when there are any potential conflicts of interests between our company and Laiyang Jiangbo. We cannot assure you, however, that when conflicts of interest arise, Mr. Cao will act completely in our interests or that conflicts of interests will be resolved in our favor. In addition, Mr. Cao could violate his legal duties by diverting business opportunities from us to others. If we cannot resolve any conflicts of interest between us and Mr. Cao, we would have to rely on legal proceedings, which could result in the disruption of our business.



**Risks Related to Doing Business in China**

**Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident stockholders to personal liability, limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially adversely affect us.**

In October 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the competent local SAFE branch before establishing or acquiring control over an offshore special purpose company, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by SAFE, which became public in June 2007 (known as Notice 106), expanded the reach of Circular 75 by (i) purporting to cover the establishment or acquisition of control by PRC residents of offshore entities which merely acquire "control" over domestic companies or assets, even in the absence of legal ownership; (ii) adding requirements relating to the source of the PRC resident's funds used to establish or acquire the offshore entity; (iii) covering the use of existing offshore entities for offshore financings; (iv) purporting to cover situations in which an offshore SPV establishes a new subsidiary in China or acquires an unrelated company or unrelated assets in China; and (v) making the domestic affiliate of the SPV responsible for the accuracy of certain documents which must be filed in connection with any such registration, notably, the business plan which describes the overseas financing and the use of proceeds. Amendments to registrations made under Circular 75 are required in connection with any increase or decrease of capital, transfer of shares, mergers and acquisitions, equity investment or creation of any security interest in any assets located in China to guarantee offshore obligations, and Notice 106 makes the offshore SPV jointly responsible for these filings. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 31, 2006; this date was subsequently extended indefinitely by Notice 106, which also required that the registrant establish that all foreign exchange transactions undertaken by the SPV and its affiliates were in compliance with applicable laws and regulations. Failure to comply with the requirements of Circular 75, as applied by SAFE in accordance with Notice 106, may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV's affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We believe our stockholders who are PRC residents as defined in Circular 75 have registered with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiaries. However, we cannot provide any assurances that their existing registrations have fully complied with, or that they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 75 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 75. We also have little control over either our present or prospective direct or indirect stockholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with Circular 75, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

**If the PRC enacts regulations which forbid or restrict foreign investment, our ability to grow may be severely impaired.**

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We intend to expand our business in areas relating to our present business. We may also expand by making acquisitions of companies in related industries. Many of the rules and regulations that we would face are not explicitly communicated, and we may be subject to rules that would affect our ability to grow, either internally or through acquisition of other Chinese or foreign companies. There are also substantial uncertainties regarding the proper interpretation of current laws and regulations of the PRC. New laws or regulations that forbid foreign investment could severely impair our businesses and prospects. Additionally, if the relevant authorities find us in violation of PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- levying fines;
- revoking our business and other licenses; and
- requiring that we restructure our ownership or operations.

**Any deterioration of political relations between the United States and the PRC could impair our operations and your investment in us.**

The relationship between the United States and the PRC is subject to sudden fluctuation and periodic tension. Changes in political conditions in the PRC and changes in the state of Sino-U.S. relations are difficult to predict and could adversely affect our operations or cause potential acquisition candidates or their goods and services to become less attractive. Such a change could lead to a decline in our profitability. Any weakening of relations between the United States and the PRC could have a material adverse effect on our operations and your investment in us, particularly in our efforts to raise capital to expand our other business activities.

**Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.**

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to:

- the amount of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Since early 2004, the PRC government has implemented certain measures to control the pace of economic growth. Such measures may cause a decrease in the level of economic activity in China, which in turn could adversely affect our results of operations and financial condition.

**Price controls may affect both our revenues and net income.**

The laws of the PRC provide for the government to fix and adjust prices. Although we are not presently subject to price controls in connection with the sale of our products, it is possible that price controls may be imposed in the future. To the extent that we are subject to price control, our revenue, gross profit, gross margin and net income will be affected since the revenue we derive from our sales will be limited and, unless there is also price control on the products that we purchase from our suppliers, we may face no limitation on our costs. Further, if price controls affect both our revenue and our costs, our ability to be profitable and the extent of our profitability will be effectively subject to determination by the applicable regulatory authorities in the PRC.

**Our operations may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to the market-oriented economies of OECD member countries.**

The economy of the PRC has historically been a nationalistic, “planned economy,” meaning it functions and produces according to governmental plans and pre-set targets or quotas. In certain aspects, the PRC’s economy has been making a transition to a more market-oriented economy, although the government imposes price controls on certain products and in certain industries. However, we cannot predict the future direction of these economic reforms or the effects these measures may have. The economy of the PRC also differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development (the “OECD”), an international group of member countries sharing a commitment to democratic government and market economy. For instance:

- the level of state-owned enterprises in the PRC, as well as the level of governmental control over the allocation of resources is greater than in most of the countries belonging to the OECD;
- the level of capital reinvestment is lower in the PRC than in other countries that are members of the OECD;
- the government of the PRC has a greater involvement in general in the economy and the economic structure of industries within the PRC than other countries belonging to the OECD;
- the government of the PRC imposes price controls on certain products and our products may become subject to additional price controls; and
- the PRC has various impediments in place that make it difficult for foreign firms to obtain local currency, as opposed to other countries belonging to the OECD where exchange of currencies is generally free from restriction.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the economy of the PRC were similar to those of the OECD member countries.

**Because our some of our officers and directors reside outside of the United States, it may be difficult for you to enforce your rights against them or enforce United States court judgments against them in the PRC.**

Most of our executive officers and directors reside in the PRC and a substantial portion of our assets are located in the PRC. It may therefore be difficult for United States investors to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and the PRC would permit effective enforcement of criminal penalties of the federal securities laws.

**We may have limited legal recourse under Chinese law if disputes arise under contracts with third parties.**

Almost all of our agreements with our employees and third parties, including our supplier and customers, are governed by the laws of the PRC. The legal system in the PRC is a civil law system based on written statutes. Unlike common law systems, such as we have in the United States, it is a system in which decided legal cases have little precedential value. The government of the PRC has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the PRC, and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance or to seek an injunction under Chinese law are severely limited, and without a means of recourse by virtue of the Chinese

legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

**Because we may not be able to obtain business insurance in the PRC, we may not be protected from risks that are customarily covered by insurance in the United States.**

Business insurance is not readily available in the PRC. To the extent that we suffer a loss of a type which would normally be covered by insurance in the United States, such as product liability and general liability insurance, we would incur significant expenses in both defending any action and in paying any claims that result from a settlement or judgment.

**Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.**

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC. We can make no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

**A downturn in the economy of the PRC may slow our growth and profitability.**

The growth of the Chinese economy has been uneven across geographic regions and economic sectors. There can be no assurance that growth of the Chinese economy will be steady or that any downturn will not have a negative effect on our business especially if it results in either a decreased use of products such as ours or in pressure on us to lower our prices. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Efforts by the Chinese government to slow the pace of growth of the Chinese economy could result in decreased capital expenditure by solar energy users, which in turn could reduce demand for our products.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of renewable energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

**Downturns in the economies of the U.S. and Europe may affect the PRC economy which could reduce the demand for our products.**

The rapid growth of the PRC economy in recent years has been partially related to the U.S. and European countries' demand for goods made in and exported from the PRC. The downturns in the U.S. and European economies may reduce the demand for goods exported by the PRC which could eventually affect the PRC economy as overseas orders decrease. The downturn in the PRC economy may in turn negatively impact the demand for our products.

**If certain tax exemptions within the PRC regarding withholding taxes are removed, we may be required to deduct corporate withholding taxes from any dividends we may pay in the future.**

Under the PRC's current tax laws, regulations and rulings, companies are exempt from paying withholding taxes with respect to dividends paid to stockholders outside of the PRC. However, if the foregoing exemption is removed, we may be required to deduct certain amounts from any dividends we pay to our stockholders.

**Laiyang Jiangbo is subject to restrictions on making payments to us.**

We are a holding company incorporated in the State of Florida and do not have any assets or conduct any business operations other than our investments in our affiliated entity in China, Laiyang Jiangbo. As a result of our holding company structure, we rely entirely on payments from Laiyang Jiangbo under our contractual arrangements. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See "Government control of currency conversion may affect the value of your investment." Furthermore, if our affiliated entity in China incurs debt on its own in the future, the instruments governing the debt may restrict its ability to make payments. If we are unable to receive all of the revenues from our operations through these contractual or dividend arrangements, we may be unable to pay dividends on our ordinary shares.



**Uncertainties with respect to the PRC legal system could adversely affect us.**

We conduct our business primarily through our affiliated Chinese entity, Laiyang Jiangbo. Our operations in China are governed by PRC laws and regulations. We are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

**You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us, our management or the experts named in the prospectus.**

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC counsel has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

**Governmental control of currency conversion may affect the value of your investment.**

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current structure, our income is primarily derived from payments from Laiyang Jiangbo. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entity to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

**Fluctuation in the value of RMB may have a material adverse effect on your investment.**

The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. Our revenues and costs are mostly denominated in RMB, while a significant portion of our financial assets are denominated in U.S. dollars. We rely entirely on fees paid to us by our

affiliated entity in China. Any significant fluctuation in value of RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our stock in U.S. dollars. For example, an appreciation of RMB against the U.S. dollar would make any new RMB denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. An appreciation of RMB against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into RMB, as RMB is our reporting currency.

**We face risks related to health epidemics and other outbreaks.**

Our business could be adversely affected by the effects of SARS or another epidemic or outbreak. China reported a number of cases of SARS in April 2004. Any prolonged recurrence of SARS or other adverse public health developments in China may have a material adverse effect on our business operations. For instance, health or other government regulations adopted in response may require temporary closure of our production facilities or of our offices. Such closures would severely disrupt our business operations and adversely affect our results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of SARS or any other epidemic.

**Risks Related to an Investment in Our Securities**

**We do not anticipate paying any cash dividends.**

We presently do not anticipate that we will pay any dividends on any of our capital stock in the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends is within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

**Because the OTC Bulletin Board is a quotation system, not an issuer listing service, market or exchange, it may be difficult for you to sell your common stock or you may not be able to sell your common stock for an optimum trading price.**

The OTC Bulletin Board is a regulated quotation service that displays real-time quotes, last sale prices and volume limitations in over-the-counter securities. Because trades and quotations on the OTC Bulletin Board involve a manual process, the market information for such securities cannot be guaranteed. In addition, quote information, or even firm quotes, may not be available. The manual execution process may delay order processing and intervening price fluctuations may result in the failure of a limit order to execute or the execution of a market order at a significantly different price. Execution of trades, execution reporting and the delivery of legal trade confirmations may be delayed significantly. Consequently, one may not be able to sell shares of our common stock at the optimum trading prices.

The dealer's spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of securities on the OTC Bulletin Board if the common stock or other security must be sold immediately. Further, purchasers of securities may incur an immediate "paper" loss due to the price spread. Moreover, dealers trading on the OTC Bulletin Board may not have a bid price for securities bought and sold through the OTC Bulletin Board. Due to the foregoing, demand for securities that are traded through the OTC Bulletin Board may be decreased or eliminated.

**The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.**

As long as the trading price of our common shares is below \$5 per share, the open-market trading of our common shares will be subject to the "penny stock" rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the SEC relating to the penny stock market. The broker-dealer also

must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers may restrict the ability or decrease the willingness of broker-dealers to sell our common shares, and may result in decreased liquidity for our common shares and increased transaction costs for sales and purchases of our common shares as compared to other securities.

**Our common shares are thinly traded and, you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.**

We cannot predict the extent to which an active public market for its common stock will develop or be sustained. However, we do not rule out the possibility of applying for listing on the Nasdaq National Market or other exchanges.

Our common shares have historically been sporadically or “thinly-traded” on the OTC Bulletin Board, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

The market price for our common stock is particularly volatile given our status as a relatively small company with a small and thinly traded “float” and lack of current revenues that could lead to wide fluctuations in our share price. The price at which you purchase our common stock may not be indicative of the price that will prevail in the trading market. You may be unable to sell your common stock at or above your purchase price if at all, which may result in substantial losses to you.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, as noted above, our common shares are sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or “risky” investment due to our lack of revenues or profits to date and uncertainty of future market acceptance for our current and potential products. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. The following factors may add to the volatility in the price of our common shares: actual or anticipated variations in our quarterly or annual operating results; adverse outcomes; the termination of our contractual agreements with Laiyang Jiangbo; and additions or departures of our key personnel, as well as other items discussed under this “Risk Factors” section, as well as elsewhere in this prospectus. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, including as to whether our common shares will sustain their current market prices, or as to what effect that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price. However, we do not rule out the possibility of applying for listing on the Nasdaq National Market or other exchanges.

Shareholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

**The market price for our stock may be volatile and the volatility in our common share price may subject us to securities litigation..**

The market price for our stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- conditions in pharmaceutical and agricultural markets;
- changes in the economic performance or market valuations of other pharmaceutical companies;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between RMB and the U.S. dollar;
- intellectual property litigation; and
- general economic or political conditions in China.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our stock.

The market for our common stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

**Our corporate actions are substantially controlled by our principal shareholders and affiliated entities.**

Our principal shareholders and their affiliated entities own approximately 53% of our outstanding common shares, representing approximately 53% of our voting power. These shareholders, acting individually or as a group, could exert substantial influence over matters such as electing directors and approving mergers or other business combination transactions. In addition, because of the percentage of ownership and voting concentration in these principal shareholders and their affiliated entities, elections of our board of directors will generally be within the control of these shareholders and their affiliated entities. While all of our shareholders are entitled to vote on matters submitted to our shareholders for approval, the concentration of shares and voting control presently lies with these principal shareholders and their affiliated entities. As such, it would be difficult for shareholders to propose and have approved proposals not supported by management. There can be no assurances that matters voted upon by our officers and directors in their capacity as shareholders will be viewed favorably by all shareholders of our company.

**The elimination of monetary liability against our directors, officers and employees under Florida law and the existence of indemnification rights to our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.**

Our articles of incorporation contain specific provisions that eliminate the liability of our directors for monetary damages to our company and shareholders, and we are prepared to give such indemnification to our directors and officers to the extent provided by Florida law. We may also have contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in our company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage our company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and shareholders.

**Legislative actions, higher insurance costs and potential new accounting pronouncements may impact our future financial position and results of operations.**

There have been regulatory changes, including the Sarbanes-Oxley Act of 2002, and there may potentially be new accounting pronouncements or additional regulatory rulings that will have an impact on our future financial position and results of operations. The Sarbanes-Oxley Act of 2002 and other rule changes are likely to increase general and administrative costs and expenses. In addition, insurers are likely to increase premiums as a result of high claims rates over the past several years, which we expect will increase our premiums for insurance policies. Further, there could be changes in certain accounting rules. These and other potential changes could materially increase the expenses we report under generally accepted accounting principles, and adversely affect our operating results.

**Past activities of Genesis and its affiliates may lead to future liability.**

Prior to the Exchange Agreement among Genesis, Karmoya and the Karmoya Shareholders executed on October 1, 2007, we engaged in businesses unrelated to our current operations. Neither Genesis's prior management nor any of its shareholders prior to the Exchange Transaction are providing indemnifications against any loss, liability, claim, damage or expense arising out of or based on any breach of or inaccuracy in any of their representations and warranties made regarding such acquisition, and any liabilities relating to such prior business against which we are not completely indemnified may have a material adverse effect on our company. For example, we are aware of three lawsuits arising from past activities of Genesis, alleging breach of contract. Please see "Legal Proceedings" for more information.

**We may need additional capital, and the sale of additional shares or other equity securities could result in additional dilution to our shareholders.**

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds from a proposed offering will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

**Existing stockholders may experience some dilution as a result of the exercise of warrants.**



We have issued the Notes and, in conjunction with the Notes, the Class A Warrants to purchase, collectively, up to 75,000,000 shares of our common stock, subject to adjustment. We have also previously issued the Debentures and, in connection with the Debentures, the November Warrants to purchase, collectively, up to 16,000,000 shares of our common stock. Any issuances of shares upon any exercise of the Class A Warrants, and the November Warrants will cause dilution in the interests of our stockholders.

**If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.**

We will be subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of our internal controls over financial reporting. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may still decline to attest to our management's assessment or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our stock. Furthermore, we anticipate that we will incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

**We will incur increased costs as a result of being a public company.**

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and other new rules subsequently implemented by SEC have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These include statements about our expectations, beliefs, intentions or strategies for the future, which are indicated by words or phrases such as “anticipate,” “expect,” “intend,” “plan,” “will,” “we believe,” “management believes” and similar words or phrases. The forward-looking statements are based on our current expectations and are subject to certain risks, uncertainties and assumptions. Our actual results could differ materially from results anticipated in these forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.

## USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. There will be no proceeds to us from the sale of shares of common stock in this offering.

We will not receive any proceeds from the issuance of our common stock to the Selling Stockholders other than the exercise price of any warrants and Class A Warrants that are exercised by the Selling Stockholders who do not conduct cashless exercises, the proceeds of which we expect to use for working capital. If all 16,000,000 of the warrants and all 75,000,000 of the Class A Warrants were exercised in full for cash, the proceeds to the Company would be approximately \$21,950,000.

We will receive the benefit of the reduction in our outstanding indebtedness in consideration for the issuance of shares of our Common Stock upon conversion of the Debentures and/or the Notes.

## SELLING STOCKHOLDERS

We are registering for resale shares of our common stock held by the selling stockholders identified below. We are registering the shares to permit the selling stockholders and their pledgees, donees, transferees and other successors-in-interest that receive their shares from a selling stockholder as a gift, partnership distribution or other non-sale related transfer after the date of this prospectus to resell the shares when and as they deem appropriate.

The following tables set forth:

- the name of the selling stockholders,
- the number and percentage of shares of our common stock that the selling stockholders beneficially owned prior to the offering for resale of the shares under this prospectus,
- the number of shares of our common stock that may be offered for resale for the account of the selling stockholders under this prospectus, and
- the number and percentage of shares of our common stock to be beneficially owned by the selling stockholders after the offering of the resale shares (assuming all of the offered resale shares are sold by the selling stockholders).

The number of shares in the column “Maximum Number of Shares Being Offered” represents all of the shares that each selling stockholder may offer under this prospectus. We do not know how long the selling stockholders will hold the shares before selling them or how many shares they will sell, and we currently have no agreements, arrangements or understandings with any of the selling stockholders regarding the sale of any of the resale shares. The shares offered by this prospectus may be offered from time to time by the selling stockholders listed below.

With the exception of 41,000,000 shares beneficially owned by Pope Investments LLC which were acquired by Pope Investments LLC in connection with the private placement of Debentures and November Warrants in November 2007, all the shares beneficially owned by the selling stockholders which are being offered for resale by the selling stockholders were acquired in connection with the private placement transaction of Notes and Class A Warrants in May 2008.

This table is prepared solely based on information supplied to us by the listed selling stockholders, any Schedules 13D or 13G and Forms 3 and 4, and other public documents filed with the SEC.

<b>Name of Selling Stockholder</b>	<b>Shares Beneficially Owned Prior to Offering(1)</b>	<b>Maximum Number of Shares to be Sold</b>	<b>Number of Shares Beneficially Owned After Offering</b>	<b>Percentage Ownership After Offering</b>
Pope Investments LLC	45,850,000 (2)	168,500,000 (3)	-0-	-0-
Ardsley Partners Fund II, L.P.	11,812,500 (4)	11,812,500	-0-	-0-
Ardsley Partners Institutional Fund L.P.	7,725,000 (5)	7,725,000	-0-	-0-
Ardsley Partners Offshore Fund, Ltd.	7,912,500 (6)	7,912,500	-0-	-0-
Marion Lynton	300,000 (7)	300,000	-0-	-0-
MidSouth Investor Fund LP	2,250,000 (8)	2,250,000	-0-	-0-
Sansar Capital Special Opportunity Master Fund, LP	41,250,000 (9)	41,250,000	-0-	-0-
Ephraim Fields	375,000(10)	375,000	-0-	-0-
Hua-Mei 21 <sup>st</sup> Century Partners, LP	13,500,000(11)	13,500,000	-0-	-0-
Guerilla Partners, LP	6,562,500(12)	6,562,500	-0-	-0-
Guerilla IRA Partners, LP	187,500(13)	187,500	-0-	-0-
Excalibur Special Opportunities, LP	3,750,000(14)	3,750,000	-0-	-0-
Whalehaven Capital Fund Ltd.	1,875,000(15)	1,875,000	-0-	-0-

(1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, securities that are currently convertible or exercisable into shares of our common stock, or convertible or exercisable into shares of our common stock within 60 days of the date hereof are deemed outstanding. Such shares, however, are not

deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the following table, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. The percentage of beneficial ownership is based on 412,986,078 shares of common stock outstanding as of August 25, 2008.

- (2) Includes (i) 25,000,000 shares of Common Stock issuable to Pope Investments LLC, a Delaware limited liability company (“Pope Investments”), upon conversion of \$5,000,000 aggregate principal amount of the Debentures and 16,000,000 shares of Common Stock issuable upon exercise of the November Warrants and (ii) up to an additional 4,850,000 shares of Common Stock of the 85,000,000 shares of Common Stock issuable to Pope Investments upon conversion of \$17,000,000 aggregate principal amount of the Company’s Notes and 42,500,000 shares of Common Stock issuable upon exercise of the Company’s Class A Warrants. Pursuant to the terms of the Notes and the Class A Warrants, each of the Selling Stockholders has agreed that it will not convert any Notes or exercise any Class A Warrants to the extent that such conversion or exercise would result in it, together with its affiliates, beneficially own more than 9.99% of the number of shares of our common stock outstanding at the time of conversion or exercise. Any Selling Stockholder may waive these beneficial ownership limitations as to itself upon no less than 61 days prior written notice to the Company. Pope Asset Management LLC, a Tennessee limited liability company (“Pope Asset”) serves as an investment adviser and/or manager to Pope Investments. Pope Asset is the sole manager for Pope Investments and has sole voting control and investment and disposition power and discretion with respect to all securities held by Pope Investments. Pope Asset may be deemed to beneficially own shares owned or held by, or held for the account or benefit of, Pope Investments. William P. Wells is the sole manager of Pope Asset. Mr. Wells may be deemed to own shares owned or held by, or held for the account or benefit of, Pope Investments. Pope Asset and Mr. Wells do not directly own any shares of Common Stock.
- (3) Includes (i) 25,000,000 shares of Common Stock issuable to Pope Investments upon conversion of \$5,000,000 aggregate principal amount of the Debentures; (ii) 16,000,000 shares of Common Stock issuable upon exercise of the November Warrants; (iii) 85,000,000 shares of Common Stock issuable to Pope Investments upon conversion of \$17,000,000 aggregate principal amount of the Notes; and (iv) 42,500,000 shares of Common Stock issuable upon exercise of Class A Warrants.
- (4) Includes 7,875,000 shares of common stock issuable to Ardsley Partners Fund II, L.P., a Delaware limited partnership, upon conversion of \$1,575,000 aggregate principal amount of the Company’s Notes and 3,937,500 shares of common stock issuable upon exercise of the Company’s Class A Warrants. Ardsley Partners Fund II, L.P. has direct beneficial ownership with respect to the shares. Philip J. Hempelman has voting and dispositive power over the shares.
- (5) Includes 5,150,000 shares of common stock issuable to Ardsley Partners Institutional Fund L.P., a Delaware limited partnership, upon conversion of \$1,030,000 aggregate principal amount of the Company’s Notes and 2,575,000 shares of common stock issuable upon exercise of the Company’s Class A Warrants. Ardsley Partners Institutional Fund L.P. has direct beneficial ownership with respect to the shares. Philip J. Hempelman has voting and dispositive power over the shares.
- (6) Includes 5,275,000 shares of common stock issuable to Ardsley Partners Offshore Fund Ltd., a British Virgin Islands corporation, upon conversion of \$1,055,000 aggregate principal amount of the Company’s Notes and 2,637,500 shares of common stock issuable upon exercise of the Company’s Class A Warrants. Ardsley Partners Offshore Fund Ltd. has direct beneficial ownership with respect to the shares. Philip J. Hempelman has voting and dispositive power over the shares.
- (7) Includes 200,000 shares of common stock issuable to Marion Lynton upon conversion of \$40,000 aggregate principal amount of the Company’s Notes and 100,000 shares of common stock issuable upon exercise of the Company’s Class A Warrants. Philip J. Hempelman has voting and dispositive power over the shares.
- (8) Includes 1,500,000 shares of common stock issuable to MidSouth Investor Fund LP upon conversion of \$300,000 aggregate principal amount of the Company’s Notes and 750,000 shares of common stock issuable upon exercise of the Company’s Class A Warrants. Lyman O. Heidtke has voting and dispositive power over the shares.

(9) Includes 27,500,000 shares of common stock issuable to Sansar Capital Special Opportunity Master Fund, LP upon conversion of \$5,500,000 aggregate principal amount of the Company's Notes and 13,750,000 shares of common stock issuable upon exercise of the Company's Class A Warrants. Sanjay Motwani has voting and dispositive power over the shares.



- (10) Includes 250,000 shares of common stock issuable to Ephraim Fields upon conversion of \$50,000 aggregate principal amount of the Company's Notes and 125,000 shares of common stock issuable upon exercise of the Company's Class A Warrants.
- (11) Includes 9,000,000 shares of common stock issuable to Hua-Mei 21<sup>st</sup> Century Partners, LP upon conversion of \$1,800,000 aggregate principal amount of the Company's Notes and 4,500,000 shares of common stock issuable upon exercise of the Company's Class A Warrants. Peter Siris and Leigh S. Curry have voting and dispositive power over the shares.
- (12) Includes 4,375,000 shares of common stock issuable to Guerilla Partners, LP upon conversion of \$875,000 aggregate principal amount of the Company's Notes and 2,187,500 shares of common stock issuable upon exercise of the Company's Class A Warrants. Peter Siris and Leigh S. Curry have voting and dispositive power over the shares.
- (13) Includes 125,000 shares of common stock issuable to Guerilla IRA Partners, LP upon conversion of \$25,000 aggregate principal amount of the Company's Notes and 62,500 shares of common stock issuable upon exercise of the Company's Class A Warrants. Peter Siris and Leigh S. Curry have voting and dispositive power over the shares.
- (14) Includes 2,500,000 shares of common stock issuable to Excalibur Special Opportunities, LP upon conversion of \$500,000 aggregate principal amount of the Company's Notes and 1,250,000 shares of common stock issuable upon exercise of the Company's Class A Warrants. William Hechter has voting and dispositive power over the shares.
- (15) Includes 1,250,000 shares of common stock issuable to Whalehaven Capital Fund Ltd. upon conversion of \$250,000 aggregate principal amount of the Company's Notes and 625,000 shares of common stock issuable upon exercise of the Company's Class A Warrants. Arthur Jones, Trevor Williams and Brian Mazzella have voting and dispositive power over the shares.

## PLAN OF DISTRIBUTION

The Selling Stockholders and any of their pledgees, donees, transferees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market or trading facility on which the shares are traded or quoted or in private transactions. These sales may be at fixed or negotiated prices. The Selling Stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits Investors;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
  - purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
  - an exchange distribution in accordance with the rules of the applicable exchange;
  - privately negotiated transactions;
- to cover short sales made after the date that this Registration Statement is declared effective by the Commission;
- broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
  - a combination of any such methods of sale; and
  - any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The Selling Stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The Selling Stockholders may from time to time pledge or grant a security interest in some or all of the Notes owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell shares of Common Stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

Upon the Company being notified in writing by a Selling Stockholder that any material arrangement has been entered into with a broker-dealer for the sale of Common Stock through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing (i) the name of each such Selling Stockholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such the shares of Common Stock were sold, (iv) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or

incorporated by reference in this prospectus, and (vi) other facts material to the transaction. In addition, upon the Company being notified in writing by a Selling Stockholder that a donee or pledgee intends to sell more than 500 shares of Common Stock, a supplement to this prospectus will be filed if then required in accordance with applicable securities law.

The Selling Stockholders also may transfer the shares of Common Stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, that can be attributed to the sale of Securities will be paid by the Selling Stockholder and/or the purchasers. Each Selling Stockholder has represented and warranted to the Company that it acquired the securities subject to this Registration Statement in the ordinary course of such Selling Stockholder's business and, at the time of its purchase of such securities such Selling Stockholder had no agreements or understandings, directly or indirectly, with any person to distribute any such securities.

The Company has advised each Selling Stockholder that it may not use shares registered on this Registration Statement to cover short sales of Common Stock made prior to the date on which this Registration Statement shall have been declared effective by the Commission. If a Selling Stockholder uses this prospectus for any sale of the Common Stock, it will be subject to the prospectus delivery requirements of the Securities Act. The Selling Stockholders will be responsible to comply with the applicable provisions of the Securities Act and Exchange Act, and the rules and regulations thereunder promulgated, including, without limitation, Regulation M, as applicable to such Selling Stockholders in connection with resales of their respective shares under this Registration Statement.

The Company is required to pay all fees and expenses incident to the registration of the shares, but the Company will not receive any proceeds from the sale of the Common Stock. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following information should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this report.

### **Company Overview**

We were originally incorporated on August 15, 2001 in the State of Florida under the name Genesis Technology Group, Inc. On October 12, 2001, we consummated a merger with NewAgeCities.com, an Idaho public corporation originally formed in 1969. We were the surviving entity after the merger with the Idaho public corporation.

On October 1, 2007, we completed a share exchange transaction by and among us, Karmoya International Ltd., a British Virgin Islands company ("Karmoya"), and Karmoya's shareholders. As a result of the share exchange transaction, Karmoya, a company which was established as a "special purpose vehicle" for the foreign capital raising activities of its Chinese subsidiaries, became our wholly owned subsidiary and our new operating business. Karmoya was incorporated under the laws of the British Virgin Islands on July 17, 2007 and owns 100% of the capital stock of Union Well International Limited, a Cayman Islands company ("Union Well"). Karmoya conducts its business operations through Union Well's wholly owned subsidiary, Genesis Jiangbo (Laiyang) Biotech Technology Co., Ltd. ("GJBT"). GJBT was incorporated under the laws of the People's Republic of China ("PRC") on September 16, 2007 and registered as a wholly foreign owned enterprise (WFOE) on September 19, 2007. GJBT has entered into consulting service agreements and equity-related agreements with Laiyang Jiangbo Pharmaceutical Co., Ltd. ("Laiyang Jiangbo"), a PRC limited liability company incorporated on August 18, 2003.

As a result of the share exchange transaction, our primary operations consist of the business and operations of Karmoya and its subsidiaries, which are conducted by Laiyang Jiangbo in the PRC. Laiyang Jiangbo produces and sells western pharmaceutical products in China and focuses on developing innovative medicines to address various medical needs for patients worldwide.

### **Basis of Presentation**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the requirements of Regulation S-X promulgated by the SEC. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for

making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A summary of significant accounting policies is included in Note 2 to the audited consolidated financial statements included in this Form S-1. Management believes that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about the company's operating results and financial condition.

### **Use of Estimates**

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Significant estimates in 2008, 2007 and 2006 include the allowance for doubtful accounts, the allowance for obsolete inventory, the useful life of property and equipment and intangible assets, and accruals for taxes due.

### ***Inventories***

Inventories, consisting of raw materials and finished goods related to the Company's products are stated at the lower of cost or market utilizing the weighted average method. The Company reviews its inventory periodically for possible obsolete goods or to determine if any reserves are necessary.

### ***Marketable Securities***

Marketable equity securities consist of investments in equity of publicly traded and non-public domestic companies and are stated at market value based on the most recently traded price of these securities at the balance sheet dates. Marketable securities are classified as trading and available for sale securities at balance sheet dates. Realized and unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses on available for sale securities, determined by the difference between historical purchase price and the market value at each balance sheet date, are recorded as a component of Accumulated Other Comprehensive Income in Stockholders' Equity. Realized gains and losses are determined by the difference between historical purchase price and gross proceeds received when the marketable securities are sold. Realized gains or losses on the sale or exchange of equity securities and declines in value judged to be other than temporary are recorded in gains (losses) on equity securities, net. Marketable equity securities are presumed to be impaired if the fair value is less than the cost basis continuously for three consecutive quarters, absent evidence to the contrary.

Our investment impairment analysis generally included analysis of several factors, including:

1. Discussions with each company's respective management to review the status of key internally established development milestones. As a result of our strategic alliance with partner companies, we regularly had access to information regarding technology developments and business initiatives that was generally not available to the investor community.
2. Our knowledge of partner company's activities relating to new agreements, new investor funding and milestone achievements.
3. Our review of financial position, primarily the cash resources and operating cash flow, to determine if cash levels were sufficient to continue to fund projected operations and ongoing technology development.

Additionally, we consider EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-01"). According to EITF 03-01, a security is impaired when its fair value is less than its carrying value, and an impairment is other than- temporary if the investor does not have the "ability and intent" to hold the investment until a forecasted recovery of its carrying amount. EITF 03-01 holds that the impairment of each security must be assessed using the ability-and-intent-to-hold criterion regardless of the severity or amount of the impairment. We intend to hold its investment in marketable securities for a period of time sufficient to allow for any anticipated recovery in market value.



Paragraph 16 of SFAS 115 and SAB Topic 5M provide that numerous factors must be considered, including the following, in determining whether a decline in value requires a write-down to a new cost basis for an individual security, which we consider:

- The length of time and extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer (e.g., changes in technology, or the planned discontinuance of a line of business); and
- The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

***Revenue recognition***

Product sales are generally recognized when title to the product has transferred to customers in accordance with the terms of the sale. The Company recognizes revenue in accordance with the SEC's (SEC) Staff Accounting Bulletin (SAB) No. 101, "*Revenue Recognition in Financial Statements*" as amended by SAB No. 104 (together, "SAB 104"), and Statement of Financial Accounting Standards (SFAS) No. 48 "*Revenue Recognition When Right of Return Exists.*" SAB 104 states that revenue should not be recognized until it is realized or realizable and earned. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectibility is reasonably assured.

The Company is generally not contractually obligated to accept returns. However, on a case-by-case negotiated basis, the Company permits customers to return their products. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 48, "Revenue Recognition when the Right of Return Exists," revenue is recorded net of an allowance for estimated returns. Such reserves are based upon management's evaluation of historical experience and estimated costs. The amount of the reserves ultimately required could differ materially in the near term from amounts included in the consolidated financial statements.

### ***Variable Interest Entities***

Pursuant to Financial Accounting Standards Board Interpretation No. 46 (Revised), "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN 46R") we are required to include in our consolidated financial statements the financial statements of variable interest entities. FIN 46R requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss for the variable interest entity or is entitled to receive a majority of the variable interest entity's residual returns. Variable interest entities are those entities in which we, through contractual arrangements, bear the risk of, and enjoy the rewards normally associated with ownership of the entity, and therefore we are the primary beneficiary of the entity.

Laiyang Jianbo are considered variable interest entities ("VIE"), and we are the primary beneficiary. On October 1, 2008, we entered into agreements with Laiyang Jiangbo to which we shall receive 100% of Laiyang Jiangbo's net income. In accordance with these agreements, Laiyang Jianbo shall pay consulting fees equal to 100% of its net income to our wholly-owned foreign subsidiary, GJBT, and GJBT shall supply the technology and administrative services needed to service Laiyang Jianbo.

The accounts of Laiyang Jiangbo are consolidated in the accompanying financial statements pursuant to FIN 46R. As a VIE, Laiyang Jiangbo sales are included in our total sales, its income from operations is consolidated with our, and our net income includes all of Laiyang Jiangbo net income. We do not have any non-controlling interest and accordingly, did not subtract any net income in calculating the net income attributable to us. Because of the contractual arrangements, we have pecuniary interest in Laiyang Jiangbo that require consolidation of our financial statements and Laiyang Jiangbo financial statements.

### **Recent accounting pronouncements**

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" (SFAS 157), which provides guidance for how companies should measure fair value when required to use a fair value measurement for recognition or disclosure purposes under generally accepted accounting principle (GAAP). SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact, if any, the adoption of SFAS 157 will have on its financial statements.

In December 2006, FASB Staff Position No. EITF 00-19-2, "*Accounting for Registration Payment Arrangements*," was issued. The FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, "*Accounting for Contingencies*." The Company believes that its current accounting is consistent with the FSP. Accordingly, adoption of the FSP had no effect on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115*," under which entities will now be permitted to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157. The Company is currently assessing the impact, if any, the adoption of SFAS 159 will have on its financial statements.

In June 2007, the FASB issued FASB Staff Position No. EITF 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for use in Future Research and Development Activities" ("FSP EITF 07-3"), which addresses whether nonrefundable advance payments for goods or services that used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. The Company is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations", which replaces SFAS 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS 141(R) will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company has not determined the effect that the application of SFAS 160 will have on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"), which changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company has not determined the effect of the application of SFAS 161 on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement will not have and impact on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60." The scope of this Statement is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, this Statement does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). This Statement also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement will not have and impact on the Company's financial statements.



**RESULTS OF OPERATIONS****Comparison of nine months and three months ended March 31, 2008 and 2007**

The following table sets forth the results of our operations for the periods indicated (unaudited):

	Three Months Ended				Nine Months Ended			
	2008	2007	Change \$	Change %	2008	2007	Change \$	Change %
Change %								
SALES	\$ 26,231,191	\$ 18,472,649	\$ 7,758,542	42%	\$ 66,648,051	\$ 52,876,082	\$ 13,771,969	26.05%
SALES- RELATED PARTIES	1,869,092	455,580	1,413,512	310.27%	4,611,849	2,963,871	1,647,978	55.6%
COST OF SALES	6,337,822	5,388,811	949,011	17.61%	17,744,379	15,724,047	2,020,332	12.85%
GROSS PROFIT	21,762,461	13,539,418	8,223,043	60.73%	53,515,521	40,115,906	13,399,615	33.4%
RESEARCH AND DEVELOPMENT	967,930	953,560	14,370	1.51%	2,170,240	10,441,060	(8,270,820)	(79.21)%
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	12,136,164	9,658,803	2,477,361	25.65%	29,269,330	18,491,304	10,778,026	58.29%
INCOME FROM OPERATIONS	8,658,367	2,927,055	5,731,312	195.8%	22,075,951	11,183,542	10,892,409	97.4%
OTHER EXPENSES	1,972,269	80,457	1,891,812	2351.33%	2,404,038	210,313	2,193,725	1043.08%
INCOME BEFORE PROVISION FOR INCOME TAXES	6,686,098	2,846,598	3,839,500	134.88%	19,671,913	10,973,229	8,698,684	79.27%
PROVISION FOR INCOME TAXES	2,211,265	970,025	1,241,240	127.96%	6,808,625	3,567,857	3,240,768	90.83%
NET INCOME	4,474,833	1,876,573	2,598,260	138.46%	12,863,288	7,405,372	5,457,916	73.7%
OTHER COMPREHENSIVE INCOME	1,690,597	368,537	1,322,060	358.73%	4,776,631	673,047	4,103,584	609.7%
COMPREHENSIVE INCOME	6,165,430	2,245,110	3,920,320	174.62%	17,639,919	8,078,419	9,561,500	118.36%

*Revenues.* During the nine months ended March 31, 2008, we had revenues of \$71,259,900 as compared to revenues of \$55,839,953 for the nine months ended March 31, 2007, an increase of \$15,419,947 or approximately 27.61%. Our revenues include sales to related parties of \$4,611,849 as compared to \$2,963,871 for the nine months ended March 31, 2007, an increase of \$1,647,978 or approximately 55.60%. For the three months ended March 31, 2008, we had revenues of \$28,100,283 as compared to revenues of \$18,928,229 for the three months ended March 31, 2007, and increase of \$9,172,054 or 48.46%. For the three months ended March 31, 2008, we had revenues from related parties sales of \$1,869,092 as compared to \$455,580 for the three months ended March 31, 2007, an increase of \$1,413,512 or 310.27%. The overall increase in total revenue in the third quarter and the nine months of fiscal 2008 was primarily attributable to the increase of sales volume of our best selling products: Clarithromycin sustained-release tablets and Itopride Hydrochloride Granules. Additionally, we released a new product, Baobaole chewable tablets in the second quarter of fiscal 2008. We believe that our sales will continue to grow as we continue strengthening our sales force, enhancing our brand name recognition and improving the quality of our products.

*Cost of Sales.* Cost of sales for the nine months ended March 31, 2008 increased \$2,020,332 or 12.85%, from \$ 15,724,047 for the nine months ended March 31, 2007 to \$17,744,379 for the nine months ended March 31, 2008. Cost of sales for the three months ended March 31, 2008 increased \$949,011 or 17.61% from \$5,388,811 for the three months ended March 31, 2007 to \$6,337,822 for the three months ended March 31, 2008. The decrease in cost of sales as a percentage of net revenues for the nine months ended March 31, 2008, approximately 24.90% as compared to the nine months ended March 31, 2007, approximately 28.16%, and the decrease in cost of sales as a percentage of net revenue for the three months ended March 31, 2008, approximately 22.55% as compared to the three months ended March 31, 2007 approximately 28.47%, was primarily attributable to our ability to better manage raw material purchase prices, the high margin on the new product Baobaole chewable tablets, more sales being generated from products with higher profit margins and more efficient production.

*Gross Profit.* Gross profit was \$53,515,521 for the nine months ended March 31, 2008 as compared to \$40,115,906 for the nine months ended March 31, 2007, representing gross margins of approximately 75.10% and 71.84%, respectively. Gross profit was \$21,762,461 for the three months ended March 31, 2008 as compared to \$13,539,418 for the three months ended March 31, 2007, representing gross margins of approximately 77.45% and 71.53%, respectively. The increase in our gross profits was mainly due to decrease in cost of sales as a percentage of net revenue as we better managed raw material purchase prices and our product sales mixture to generate more sales from products with higher profit margins.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses totaled \$29,269,330 for the nine months ended March 31, 2008, as compared to \$ 18,491,304 for the nine months ended March 31, 2007, an increase of \$10,778,026 or approximately 58.29%. Selling, general and administrative expenses totaled \$12,136,164 for the three months ended March 31, 2008, as compared to \$ 9,658,803 for the three months ended March 31, 2007, an increase of \$2,477,361 or approximately 25.65% as summarized below (Unaudited):

	Three Months Ended		Nine Months Ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Advertisement, marketing and promotion	\$ 6,969,491	\$ 7,295,921	\$ 19,483,894	\$ 13,884,825
Travel and entertainment—sales related	96,519	9,265	404,321	306,501
Depreciation and amortization	126,866	80,527	311,471	174,931
Shipping and handling	106,116	69,833	253,366	209,667
Salaries, wages, commissions and related benefits	4,577,685	2,160,925	7,255,133	2,916,535
Travel and entertainment—non sales related	58,263	4,958	214,589	18,471
Other	201,224	37,374	1,346,556	980,374
Total	\$ 12,136,164	\$ 9,658,803	\$ 29,269,330	\$ 18,491,304

The changes in these expenses during the nine months and three months ended March 31, 2008, as compared to the corresponding period in 2007 included the following:

- An increase of \$5,599,069 or approximately 40.33% in advertisement, marketing and promotion spending for the nine months ended March 31, 2008 and an decrease of \$326,430 or approximately 4.47% for the three months ended March 31, 2008 as compared to the corresponding period in fiscal 2007 were primarily due to TV commercials and magazine advertisements expenses to establish our Baobaole Chewable tablets brand name. Additionally, we also increase our marketing and promotional activities to promote our two other best selling products.





- Travel and entertainment -sales related expenses increased by \$97,820 or approximately 31.92% for the nine months ended March 31, 2008 and \$87,254 or approximately 941.76% for the three months ended March 31, 2008 as compared to the corresponding period in fiscal 2007 was primarily due to our marketing and sales travel related activities related to promoting our Baobole Chewable tablets and establishing the distribution network for the product.
- Shipping and handling expenses increased by \$43,699 or approximately 20.84% for the nine months ended March 31, 2008 and \$36,283 or 51.96% for the three months ended March 31, 2008 as compared to the corresponding period of fiscal 2007, primarily because increase in sales volume in fiscal year 2008.
- Depreciation and amortization increased by \$136,540 or 78.05% for the nine months ended March 31, 2008 and \$46,339 for the three months ended March 31, 2008 as compared to the corresponding period of fiscal 2007, primarily due to additional amortization expenses on the new patent obtained in late fiscal 2007 and additional land use right obtained in the 3<sup>rd</sup> quarter of fiscal 2008.
- Salaries, wages, commissions and related benefits increased by \$4,338,598 or 148.76% for the nine months ended March 31, 2008 and \$2,416,760 for the three months ended March 31, 2008 as compared to the corresponding period of fiscal 2007. The increases were primarily due to increase in commission payments to sales representatives as well as an increase in number of employees and sales representatives as a result of expanding our distribution network from 26 provinces and regions to 30 provinces and regions in fiscal 2008.
- An increase of \$196,118 or approximately 1061.76% in travel and entertainment -non sales related expenses for the nine months ended March 31, 2008 and \$53,305 or 1075.13% for the three months ended March 31, 2007 were primarily due to increase in corporate executives' and managers' travel related to public company related activities.
- Other selling, general and administrative expenses, which includes professional fees, utilities, office supplies and expenses increased by \$366,182 or 37.35% for the nine months ended March 31, 2008 and increased by \$163,850 or 438.41% for the three months ended March 31, 2008 as compared to the corresponding period in fiscal 2008 primarily due to more professional fees and other miscellaneous expense in fiscal 2008.

*Research and Development Costs.*