



維奧生物科技控股有限公司
Vital BioTech Holdings Limited
(incorporated in the Cayman Islands with limited liability)



Interim Report
07

CORPORATE INFORMATION

Directors

Executive Directors

Tao Lung *(Chairman)*

Huang Jianming *(Chief Executive Officer)*

Shen Songqing

Liu James Jin

Xu Xiaofan

Independent Non-executive Directors

Lui Tin Nang

Lee Kwong Yiu

Chong Cha Hwa

Qualified Accountant and Company Secretary

Leung Wai Pong *(CPA(Aust.), CPA)*

Audit Committee

Lui Tin Nang *(Chairman)*

Lee Kwong Yiu

Chong Cha Hwa

Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit 7, 31st Floor

Tower 1, Lippo Centre

89 Queensway

Hong Kong

Company Website

www.vitalbiotech.com

Authorised Representatives

Tao Lung

Leung Wai Pong

Principal Bankers

The Hong Kong and Shanghai Banking

Corporation Limited

The Agriculture Bank of China

Bank of China Limited

Auditors

SHINIEWING (HK) CPA Limited

Cayman Islands Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

P.O. Box 513 G.T.

Strathvale House

North Church Street, George Town

Grand Cayman, Cayman Islands

British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

Room 1803

Fook Lee Commercial Centre

Town Place

33 Lockhart Road

Wanchai

Hong Kong

HIGHLIGHTS

	(unaudited)	
	6 months to	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Turnover	186,354	215,958
Profits attributable to equity holders of the Company	22,273	13,723
Basic earnings per share	HK1.44 cents	HK0.89 cents
Diluted earnings per share	HK1.44 cents	HK0.89 cents
Interim dividend per share	Nil	Nil

- Turnover of the Group was about HK\$186 million, a decrease of approximately 14%, year-on-year;
- Profits attributable to equity holders of the Company increased by approximately 62% year-on-year to HK\$22.2 million;
- Basic earnings per share was HK1.44 cents;
- The Board would not recommend the payment of an interim dividend.

BUSINESS REVIEW

Results

I am pleased to announce the unaudited results of the Vital BioTech Holdings Limited ("Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 ("period under review" or "reporting period"). During the period under review, the consolidated sales turnover of the Group dropped by 14% year-on-year to approximately HK\$186 million (2006: HK\$216 million).

During the period under review, the profits attributable to equity holders increased by HK\$8.5 million year-on-year basis to approximately HK\$22.2 million (2006: HK\$13.7 million). Despite a 14% decreased in sales turnover resulted from the price cut of our flagship product, Osteoform, the selling and distribution expenses have decreased by about 24% as a result of tightening expenses approach adopted by the Company. In addition, the Group has received government grants about HK\$8.2 million in the reporting period. In the last corresponding period, we did not record such government grant. These improved the net profit performance.

Product Sales

Our flagship product "Osteoform" has maintained a steady market share. Its sales turnover was approximately HK\$169 million in current period, which has contributed about 91% of the Group's sales turnover.

For the other house products: Depile Capsule, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the first half year of 2007 was around HK\$5.3 million. It is slightly increased when compared to approximately HK\$4.9 million for the correspondence period in 2006.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group was recorded sales of approximately HK\$6.6 million in the reporting period.

Selling Expenses

The selling and distribution expenses for the period under review were approximately HK\$63.8 million, decreased by about 24% when compared to approximately HK\$83.9 million year-on-year. The Group had identified that high selling and distribution expenses is a business risk, and aimed at tightening the outflow in years ago. In the current period, it had been shown the control was in place and effective.

In respect of selling and distribution expenses to sales turnover ratio, it was approximately 34% for the reporting period. Whereas the ratios for the last corresponding period and for the last whole year were around 39% and around 36% respectively.

The production base in Chengdu, Sichuan Province, China

Equipped with advanced production facilities and staffed with outstanding domestic experts, the highly effective drug manufacturing plant adopts innovative technology of drug production and manufactures drugs in accordance with the international GMP standards. The plant produces principally the Group's flagship products "Osteoform", "Depile Capsule", "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets" and "Aotianping" ("Miglitol Tablets") etc.

The production base in Wuhan, Hubei Province, China

Major production in the reporting period of 2007 included "Vital Fast" – a slow release flu medication, "Opin" – a gynaecology biological drug, processing and packaging of "Uralyt U" granules and sub-contracting the processing of Osteoform.

The pharmaceutical factory in Hong Kong, China

In middle of last year, the Group established a new pharmaceutical factory in Hong Kong that complies with GMP standards, in order to proactively cope with the changes in the pharmaceutical management policy in the PRC. The construction of the factory was completed and the relevant GMP and pharmaceutical manufacturer licence is obtained in June this year. The trial production is expected to be completed by end of this year.

Weiao (Chengdu) Pharmaceutical Co., Ltd. (維奧(成都)制藥有限公司)

SFDA has implemented the site inspection on the workshop of freeze-dried powder for injection and the relevant GMP certificate is granted by this reporting date.

BUSINESS OUTLOOK

In the middle of 2007, the Group entered into a non-binding Letter of Intent with Hengtai Shareholders pursuant to which the Company intends to acquire from Hengtai Shareholders the entire share capital of Sichuan Hengtai Pharmaceutical Company Limited which is owned as to 100% by Hengtai Shareholders. The Group and Sichuan Hengtai have their respective niche in the upstream and downstream of the industrial chain of the pharmaceutical industry in the PRC. The immediate and direct effect of the possible acquisition is that it may create significant synergy and in turn enhance the Company's ability in tackling risks and realize the Group's growth potential in the long run.

In addition, the Group has recently been cooperating with a foreign enterprise in relation to the introduction of new products to the market, including those for improving the conditions of anemia patients, addressing particular cartilage problems and supplementing nutrients necessary for women during pregnancy and menopause. The Group will be able to take advantage of the sales network established as a result of the possible acquisition, which will in turn reduce the Group's reliance upon a single product and explore in the diversified health-care product market.

The possible acquisition and the introduction of a wider array of products, together with our edge and market experience, will enable the Group to capitalize on the strength of the foreign players in the pharmaceutical market of the PRC so as to provide a comprehensive product lifecycle management and effective marketing solution, thereby speeding up the product commercialization process. Meanwhile, this strategy does not merely enrich income portfolio, but also diversified risk of relying on single product and creating value for both shareholders, upstream and downstream customers.

FINANCIAL REVIEW

Capital structure, liquidity, financial resources and currency policy

During the reporting period, 6.3 million new ordinary shares were issued for share option exercised by employees and directors. As of 30 June 2007, the Company has in issue about 1.55 billion ordinary shares.

As of 30 June 2007, market capitalization of the Company was approximately HK\$612 million (31 December 2006: approximately HK\$213 million).

As of 30 June 2007, the Group had bank loans of approximately HK\$128 million (31 December 2006: approximately HK\$154 million), comprising long-term portion of HK\$17 million (31 December 2006: HK\$54 million), short-term portion of HK\$111 million (31 December 2006: HK\$100 million). Bank balances and cash amounted to approximately HK\$54 million (31 December 2006: HK\$136 million).

As at 30 June 2007, around 3/4 of the Group's bank borrowings were denominated in HKD, the rest were denominated in USD and RMB.

At present, the Group has obtained total banking facilities of approximately HK\$227 million from banks. Unutilized banking facilities were approximately HK\$99 million. The cost of financing was around 6% per annum. The group has maintained sufficient capital and banking facilities for business operation.

The sales receipts of the Group were denominated as to approximately 96% in RMB and approximately 4% in other currency. Purchases were denominated as to approximately 74% in USD, approximately 5% in EURO and approximately 21% in RMB. During the reporting period, the Group has not entered into any forward contracts to hedge against foreign currency fluctuation, as the Group's exposure to foreign exchange risk is not significant.

Key financial figures and ratios

During the reporting period, major P&L ratios remained stable. As compared to the 12 months in 2006, improvements were shown in Profit attributable to equity holders/Turnover and EBITDA to Turnover ratios. The gross profit margin after selling and distribution expense was also improved.

Profit and loss item:	6 months ended 30 June		12 months
	2007	2006	Year 2006
Turnover (HK\$' million)	186.3	215.9	487.1
Gross profit margin	66%	68%	66%
Selling and distribution expenses (HK\$' million)	63.8	84	173.6
Gross profit margin after selling and distribution expense	32.1%	28.9%	30%
Profit attributable to equity holders/Turnover	12%	6%	8%
EBITDA (HK\$' million)	43.8	35	81.4
EBITDA/Turnover	23.5%	16.2%	16.7%

Balance sheet item:

As of 30 June 2007, reduced bank borrowing lowers gross debt equity ratio (Borrowing/Net tangible assets) to 31%. Since high level of stock is maintained to accommodate the changing production process, inventory average turnover day were longer than that at 31 December 2006. Lengthened average trade receivable turnover day indicates a need for improvement on the trade receivable management.

Balance sheet item:	As at	As at
	30 June 2007	31 December 2006
	<i>HK\$' million</i>	<i>HK\$' million</i>
Short-term bank loans	110.8	100.5
Long-term bank loans	17.6	53.9
Bank balances and cash	53.7	135.7
Bank loans net of bank balances and cash	74.7	18.7
Net tangible assets	415.3	405.8
Debt equity ratio (gross)	31.0%	38.0%
Debt equity ratio (net)	17.9%	4.6%
Average trade receivable turnover day	136 days	123 days
Average inventory turnover day	281 days	126 days

As of 30 June 2007, the Group had HK\$0.6 million bank balances and cash, HK\$12.9 million prepaid lease payment on land use rights, HK\$47 million property, plant and equipment, and one of the subsidiary's shares were pledged as collateral to banks.

EMPLOYEE INFORMATION

As at 30 June 2007, the Group had 497 employees, comprising 13 in research and development, 298 in production, 13 in sales, and 173 in general administration and finance. 478 of these employees were located in China, and 19 in Hong Kong and Macau.

The policy of employee remuneration, bonus, share option scheme and training are commensurate with performance and comparable to market rate. Total staff costs (including director emolument and share base payment) for the reporting period amounted to approximately HK\$17 million.

CONTINGENT LIABILITIES

As at 30 June 2007, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiary relating to banking facilities up to HK\$200 million, of which HK\$102 million have been utilised by the subsidiary.

DISCLOSURE OF INTERESTS

(a) The Directors' and chief executives' interests and short position in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2007, the interests and short positions of the Directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities <i>(Note 1)</i>	Percentage shareholding in the same class of securities
Mr. Tao Lung	Company	Beneficial owner	110,891,648(L)	7.16%
	Company	Interest of a controlled corporation <i>(Note 2)</i>	522,526,940(L)	33.76%
	Perfect Develop Holding Inc. ("Perfect Develop")	Beneficial owner	4,000 ordinary shares of US\$0.01 each (L)	58.28%
Mr. Liu James Jin	Company	Beneficial owner	14,630,400(L)	0.95%
Mr. Shen Song Qing	Company	Beneficial owner	12,160,000(L)	0.79%

Notes:

1. The letter "L" stands for the Director's long position in such securities.
2. The interests in the shares are held by Perfect Develop. The issued share capital of Perfect Develop is beneficially owned as to 58.28% by Mr. Tao Lung, 30.67% by Mr. Huang Jianming and 11.05% by Mr. Liu James Jin. Accordingly, Mr. Tao Lung is deemed to be interested in all the Shares which Perfect Develop is interested by virtue of the SFO.

DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES

Share option schemes of the Company

During the six months ended 30 June 2007, no share option has been granted under the current share option scheme of the Company.

As at 30 June 2007, the directors and chief executive of the Company had the following personal interests in options to subscribe for shares of the Company granted under the share option scheme of the Company.

No. of shares involved in the options outstanding at period end

Mr. Tao Lung (<i>Executive director and Chairman</i>)	15,000,000
Mr. Xu Xiao Fan (<i>Executive Director</i>)	15,000,000
Mr. Lee Kwong Yiu (<i>Independent non-executive director</i>)	1,500,000

Details of the share option scheme and movements are set out in note 14 to the accounts.

Save as disclosed above, as at 30 June 2007, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interest and short positions in the shares, underlying shares of the Company

As at 30 June 2007, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Company/ Name of Group member	Capacity	Number of shares (Note 1)	Approximate percentage of shareholding
Perfect Develop (Note 2)	Company	Beneficial owner	522,526,940(L)	33.76%

Notes:

1. The letter "L" denotes the person's/entity's long position in the shares.
2. The issued share capital of Perfect Develop is beneficially owned as to 58.28% by Mr. Tao Lung, 30.67% by Mr. Huang Jianming and 11.05% by Mr. Liu James Jin. Both of them are founders of the Group and executive directors of the Company.

Save as disclosed above, the Directors are not aware of any person as at 30 June 2007 who had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of the Company.

SHARE OPTION SCHEME

Details of the share option scheme and movements are set out in note 14 to the accounts.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim financial report of the Group for the six months ended 30 June 2007 have been reviewed by the Company audit committee and auditors, SHINEWING (HK) CPA Limited.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit, internal controls and risk evaluation.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with the management. The Group's financial statements for the six months ended 30 June 2007 have been reviewed and adopted by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Lui Tin Nang (Audit Committee chairman), Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors, the chairman and an executive director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the board of directors from time to time.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the principle standards of securities transactions for directors of the Company. All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the period.

CORPORATE GOVERNANCE

The Company is in compliance with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2007.

The Board as at the date of this report comprises five executive directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Xu Xiaofan, Mr. Liu James Jin, Mr. Shen Songqing and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

On behalf of the Board

TAO Lung

Chairman

Hong Kong, 21 September 2007



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Vital BioTech Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information ("Interim Financial Information") set out on pages 12 to 28 which comprises the condensed consolidated balance sheet of Vital BioTech Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2007 and the related condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Miu Man

Practising Certificate Number: P03603

Hong Kong
21 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	186,354	215,958
Cost of sales		(62,745)	(69,549)
Gross profit		123,609	146,409
Other operating income		9,113	1,247
Selling and distribution expenses		(63,819)	(83,959)
Administrative expenses		(36,193)	(38,728)
Finance costs		(4,996)	(6,468)
Profit before taxation		27,714	18,501
Income tax expense	4	(5,602)	(4,984)
Profit for the period	5	22,112	13,517
Attributable to:			
Equity holders of the Company		22,273	13,723
Minority interests		(161)	(206)
		22,112	13,517
Interim dividend	6	-	-
Earnings per share	7		
Basic		HK1.44 cents	HK0.89 cents
Diluted		HK1.44 cents	HK0.89 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	Notes	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 HK\$'000 (Audited)
Non-current assets			
Intangible assets		7,554	8,856
Property, plant and equipment	8	241,625	246,114
Prepaid lease payments on land use rights		31,675	32,016
Available-for-sale investments	9	4,562	4,562
Goodwill		30,396	30,396
		315,812	321,944
Current assets			
Inventories		135,088	68,258
Trade and other receivables	10	155,783	163,385
Prepaid lease payments on land use rights		625	625
Tax recoverable		6,031	6,031
Held-for-trading investment	11	544	544
Bank balances and cash			
– pledged		631	8,724
– unpledged		53,078	126,980
		351,780	374,547
Current liabilities			
Trade and other payables	12	80,482	89,375
Value added tax payable		766	3,747
Tax payable		2,957	1,856
Obligations under finance leases			
– due within one year		285	270
Bank borrowings – due within one year		110,779	100,520
		195,269	195,768
Net current assets		156,511	178,779
Total assets less current liabilities		472,323	500,723

	Notes	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 HK\$'000 (Audited)
Capital and reserves			
Share capital	13	15,480	15,417
Reserves		437,776	414,237
Proposed final dividend		–	15,417
Equity attributable to equity holders of the Company		453,256	445,071
Minority interests		580	741
		453,836	445,812
Non-current liabilities			
Obligations under finance leases – due after one year		877	1,020
Bank borrowings – due after one year		17,610	53,891
		18,487	54,911
		472,323	500,723

The interim financial information on pages 12 to 28 were approved and authorised for issue by the Board of Directors on 21 September 2007 and are signed on its behalf by:

TAO Lung
Director

HUANG Jianming
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company											
	Share capital	Share premium	Exchange translation reserve	Share options reserve	Reserve fund	Enterprise development fund	Other reserve	Retained earnings	Dividend reserve	Total	Minority interests	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
(Audited)												
At 1 January 2006	15,417	248,314	3,221	3,525	15,833	616	(426)	109,400	-	395,900	3,287	399,187
Profit (loss) for the period	-	-	-	-	-	-	-	13,723	-	13,723	(206)	13,517
Recognition of equity settled share-based payments	-	-	-	1,175	-	-	-	-	-	1,175	-	1,175
Loss on deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	6	6
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(194)	(194)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,228)	(2,228)
At 30 June 2006	15,417	248,314	3,221	4,700	15,833	616	(426)	123,123	-	410,798	665	411,463
Profit (loss) for the period	-	-	-	-	-	-	-	24,020	-	24,020	(437)	23,583
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	-	152	-	-	152	-	152
Exchange difference arising on translation of overseas operation	-	-	10,104	-	-	-	-	-	-	10,104	-	10,104
Transferred from retained earnings	-	-	-	-	10,594	-	-	(10,594)	-	-	-	-
Recognition of equity settled share-based payments	-	-	-	(3)	-	-	-	-	-	(3)	-	(3)
Capital contribution by minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	500	500
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	13	13
Proposed 2006 final dividend	-	-	-	-	-	-	-	(15,417)	15,417	-	-	-
At 31 December 2006	15,417	248,314	13,325	4,697	26,427	616	(274)	121,132	15,417	445,071	741	445,812
(Unaudited)												
Profit (loss) for the period	-	-	-	-	-	-	-	22,273	-	22,273	(161)	22,112
Reserve realised upon deregistration of a subsidiary (Note 2)	-	-	(120)	-	-	-	-	-	-	(120)	-	(120)
2006 final dividend paid	-	-	-	-	-	-	-	(15,417)	(15,417)	-	-	(15,417)
Exercise of share options	63	1,881	-	(495)	-	-	-	-	-	1,449	-	1,449
At 30 June 2007	15,480	250,195	13,205	4,202	26,427	616	(274)	143,405	-	453,256	580	453,836

Notes:

- Subsidiaries in the People's Republic of China have appropriated 10% of the profit to reserve fund. The reserve fund is required to be retained in the accounts of the subsidiaries for specific purposes.
- The subsidiary deregistered during the period ended 30 June 2007 had no significant impact on the turnover and results for the Group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(24,146)	3,526
Net cash used in investing activities	(4,642)	(12,555)
Net cash used in financing activities	(45,114)	(4,132)
Net decrease in cash and cash equivalents	(73,902)	(13,161)
Cash and cash equivalents at 1 January	126,980	52,128
Cash and cash equivalents at 30 June	53,078	38,967

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. GENERAL

The Company is incorporated in Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section to the interim report.

The condensed consolidated Interim Financial Information are presented in Hong Kong dollars, being the measurement currency of the Company and its subsidiaries (the "Group").

The Group are principally engaged in research and development, selling and manufacturing of pharmaceutical products.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated Interim Financial Information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated Interim Financial Information have been prepared under the historical costs basis except for certain financial instruments, which are measured at fair values, as appropriate.

The condensed consolidated Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement as at 31 December 2006.

The accounting policies used in the condensed consolidated Interim Financial Information for the six months ended 30 June 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendment and interpretations (collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning 1 January 2007. The adoption of these new HKFRSs has had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Interpretation ("Int")-11	HKFRS2: Group and Treasury Share Transactions ²
HK(IFRIC)-Int-12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. TURNOVER

The Group is principally engaged in research and development, selling and manufacturing of pharmaceutical products. Turnover represents invoiced value of sales, net of returns, discounts allowed and sales taxes where applicable and subcontract manufacturing income.

The Group's revenues, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales and manufacturing of pharmaceutical products. The Group's principal market is in the People's Republic of China (the "PRC").

Neither the business segments of the subcontract manufacturing business nor the geographical segment in other country are of a sufficient size to be reported separately.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Overseas income tax – current period	5,602	4,984

Hong Kong Profits Tax has not been provided for in the condensed consolidated Interim Financial Information as there was no estimated assessable profits derived from both periods.

The Hong Kong Profits Tax amounting in total to HK\$6,031,000 of a subsidiary of the Company for the financial years 2000 and 2001 are under inquiries by the Hong Kong Inland Revenue Department ("IRD"). The subsidiary had lodged an objection against the assessments and the IRD has held over the payment of the profits tax and the equal amount of Tax Reserve Certificates was purchased and recorded as tax recoverable as at 30 June 2007 and 31 December 2006.

The Group had received an advice from a tax expert that, the profits of that subsidiary for the financial years 2000 and 2001 were neither arisen in nor derived from Hong Kong. The directors of the Company believes that the subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, certain subsidiaries operating in the PRC are entitled to exemption from income tax in the first two years from the first profit-making year, 50% reduction of income tax in the subsequent three years and thereafter, preferential treatments which are subject to the relevant law and regulations. One subsidiary was taxed at 13% (2006: 10.5%). Another subsidiary has incurred a loss and no income tax is payable for the period (2006: Nil). Other subsidiaries were either in loss-making position for the current and the previous periods or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the period and accordingly did not have any assessable income.

The subsidiary operating in Macao is exempted from income tax in Macao.

No Australian income tax has been provided as the subsidiaries operating in Australia had no estimated assessable profits for the current and previous periods.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Amortisation of development costs	1,302	1,009
Amortisation of prepaid lease payments on land use rights	341	296
Depreciation of property, plant and equipment	9,477	8,635
Loss on disposal of property, plant and equipment	18	1,626
Research and development costs	670	756
Write (back) down of allowance for inventories	(779)	1,219
Exchange loss (gain)	1,048	(261)
Gain on disposal of intangible assets – patents	–	(585)
Write back of allowance for bad and doubtful debts	(124)	(104)
Gain on deregistration of a subsidiary	(90)	–
Government subsidies income	(8,255)	–

6. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

7. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
<i>Earnings</i>		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	22,273	13,723
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,542,176,606	1,541,706,993
Effect of dilutive ordinary shares in respect of share options	4,627,050	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,546,803,656	1,541,706,993

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5.4 million (2006: HK\$19 million) on additions to property, plant and equipment to upgrade its manufacturing capacities, construct new manufacturing plant and acquire new staff quarters.

9. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Unlisted investments in guaranteed funds, at fair value	3,824	3,824
Unlisted investments in certificates of deposits, at fair value	738	738
Unlisted equity securities, at cost <i>(notes a and b)</i>	17,234	17,234
Less: Impairment loss recognised <i>(notes b and c)</i>	(17,234)	(17,234)
	4,562	4,562

Notes:

- (a) The above unlisted equity securities represent investments in private entities incorporated in the PRC and Malaysia.
- (b) The above unlisted investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so wide that the directors of the Company are of the opinion that their fair values cannot be measured reliably.
- (c) The directors of the Company had reviewed the carrying values of the unlisted equity securities and considered that in light of the recurring operating losses of these investments and the current market conditions, total impairment losses of approximately HK\$17,234,000 (2006: HK\$17,234,000) had been recognised. The directors of the Company were of the opinion that the impairment was made based on their best estimation with reference to the market situation and circumstances of the equity securities.
- (d) At 31 December 2006, available-for-sale investments of approximately HK\$3,824,000 (2007: Nil) were pledged to secure banking facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Trade and bills receivables (<i>note a</i>)	132,163	149,250
Prepayments and deposits	19,105	10,165
Payments for pharmaceutical projects (<i>note b</i>)	19,703	19,178
Other receivables	3,656	3,760
	174,627	182,353
Less: Allowance for bad and doubtful debts	(1,306)	(1,430)
Impairment loss recognised for payments for pharmaceutical projects (<i>note c</i>)	(17,538)	(17,538)
	155,783	163,385

Notes:

- (a) The Group's sales are on open account terms. The Group normally grants to its customers credit periods ranging from 90 days to 180 days which are subject to periodic review by management.

At the balance sheet date, the aging analysis of the trade and bills receivables net of allowance for bad and doubtful debts was as follows:

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Within 30 days	69,477	58,847
31-60 days	25,802	40,447
61-90 days	15,340	38,397
Over 90 days	20,238	10,129
	130,857	147,820

- (b) Amounts paid for the development of technology and pharmaceutical products are deferred prior to completion of the projects and included in payments for pharmaceutical projects. On completion, these amounts are transferred to development costs in accordance with the Group's accounting policy.
- (c) The directors of the Company reviewed the carrying values of the payments for pharmaceutical projects and considered that in light of the current new drugs policies in the PRC and the current market conditions, the Group had terminated projects which involved high risks and ceased on its own initiative the application of projects of minimal benefit, therefore total impairment loss of approximately HK\$17,538,000 (2006: HK\$17,538,000) had been recognised.
- (d) The fair values of the Group's trade and other receivables at the balance sheet date approximated to their corresponding carrying amounts because of their short-term of maturities.

11. HELD-FOR-TRADING INVESTMENT (OTHER THAN DERIVATIVES)

Held-for-trading investment include:

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Unlisted investment in guaranteed funds, at fair value	544	544

12. TRADE AND OTHER PAYABLES

At the balance sheet date, the aging analysis of the trade payables was as follows:

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Trade payables		
Within 30 days	10,959	4,307
31 – 60 days	12,344	3,569
61 – 90 days	7,562	573
Over 90 days	319	2,257
	31,184	10,706
Accrued charges and other payables	49,298	78,669
	80,482	89,375

The fair values of the Group's trade and other payables at the balance sheet date approximated to their corresponding carrying amounts because of their short-term of maturities.

13. SHARE CAPITAL

Ordinary share of HK\$0.01 each	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 January 2006, 31 December 2006 and 30 June 2007	50,000,000,000	500,000
Issued and fully paid:		
At 1 January 2006 and 31 December 2006	1,541,706,993	15,417
Exercise of share options	6,300,000	63
At 30 June 2007	1,548,006,993	15,480

During the six months ended 30 June 2007, 6,300,000 share options were exercised by the directors and employees of the Company at a subscription price of HK\$0.23 per share, resulting in the issue of 6,300,000 ordinary shares of HK\$0.01 each in the Company.

All the ordinary shares issued during the period rank pari passu with the then existing ordinary shares in all respects.

14. SHARE OPTION SCHEME

A share option scheme was adopted on 26 January 2002 ("2002 Share Option Scheme"). The 2002 Share Option Scheme was replaced by a new share option scheme adopted by the shareholders on 23 July 2003 ("2003 Share Option Scheme").

The Board of Directors of the Company may, at their discretion, grant option to the eligible participant including any employees, any non-executive directors, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Group must not in aggregate exceed 10 per cent of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholder in a general meeting of the Company. Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2007, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Share Option Scheme of the Company was 49,940,000, representing 3.2% of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK\$1.00. The exercise period of the share options granted is determined by the Board of Directors.

No consideration was received during the period from eligible participants for taking up the options granted during the period (31 December 2006: Nil).

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

The 2003 Share Option Scheme will remain in force for a period of ten years commencing on 23 July 2003.

14. SHARE OPTION SCHEME *(Continued)*

First phase:

On 21 June 2002, options were granted to subscribe for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK\$0.39 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.37 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 16 August 2002 to 6 February 2012 as follows:

From 16 August 2002 to 6 February 2012	-	approximately 6,850,000 shares
From 1 January 2003 to 6 February 2012	-	approximately 8,280,000 shares
From 1 January 2004 to 6 February 2012	-	approximately 6,510,000 shares
From 1 January 2005 to 6 February 2012	-	approximately 8,360,000 shares

Second phase:

On 28 February 2003, options were granted to certain directors of certain subsidiaries of the Group to subscribe for an aggregate of 19,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK\$0.24 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.21 per share. Those who were granted with the options can exercise their rights from 1 March 2003 to any time before expiry date on 6 February 2012.

Third phase:

On 29 September 2003, options were granted for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK\$0.51 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.50 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 2 January 2004 to 6 February 2012 as follows:

From 2 January 2004 to 6 February 2012	-	approximately 8,990,000 shares
From 2 July 2004 to 6 February 2012	-	approximately 21,010,000 shares

Fourth phase:

On 12 September 2005, options were granted for an aggregate of 69,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK\$0.23 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.23 per share. Those who were granted with the options can exercise their rights in two periods starting from 1 January 2006 to 6 February 2012 as follows:

From 1 January 2006 to 6 February 2012	-	approximately 34,900,000 shares
From 1 January 2007 to 6 February 2012	-	approximately 34,900,000 shares

14. SHARE OPTION SCHEME (Continued)

Movements of the share options during the year/period are set out below:

	Date of grant	Outstanding at 1 January 2006	Cancelled during the year	Outstanding at 31 December 2006	Cancelled during the period	Exercised during the period	Outstanding at 30 June 2007	Exercise price per share HK\$
<i>Directors:</i>								
Mr. Tao Lung	12 September 2005	15,000,000	-	15,000,000	-	-	15,000,000	0.23
Mr. Xu Xiaofan	12 September 2005	15,000,000	-	15,000,000	-	-	15,000,000	0.23
Mr. Jin Wei (Resigned on 18 January 2006)	12 September 2005	5,000,000	(5,000,000)	-	-	-	-	0.23
<i>Independent non-executive directors:</i>								
Mr. Lui Tin Nang	12 September 2005	1,500,000	-	1,500,000	-	(1,500,000)	-	0.23
Mr. Lee Kwong Yiu	12 September 2005	1,500,000	-	1,500,000	-	-	1,500,000	0.23
Mr. Lo Wa Kei, Roy (Resigned on 19 October 2006)	12 September 2005	1,500,000	(1,500,000)	-	-	-	-	0.23
Employees	21 June 2002	2,390,000	(2,060,000)	330,000	-	-	330,000	0.39
	29 September 2003	19,560,000	(6,300,000)	13,260,000	-	-	13,260,000	0.51
	12 September 2005	12,300,000	(3,500,000)	8,800,000	(500,000)	(4,800,000)	3,500,000	0.23
Connected person	12 September 2005	18,000,000	(18,000,000)	-	-	-	-	0.23
Other eligible participants	21 June 2002	8,650,000	(7,800,000)	850,000	-	-	850,000	0.39
	29 September 2003	500,000	-	500,000	-	-	500,000	0.51
		<u>100,900,000</u>	<u>(44,160,000)</u>	<u>56,740,000</u>	<u>(500,000)</u>	<u>(6,300,000)</u>	<u>49,940,000</u>	
Exercisable at the end of the year/period				<u>35,840,000</u>			<u>49,940,000</u>	

14. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2006, the number of share options granted expected to be vested had been reduced to reflect the forfeiture of options granted prior to completion of vesting period and accordingly, the share option expense had been adjusted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

Where share options have been forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will continue to be held in the share options reserve.

15. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions which were carried out in the normal course of the Group's business:

Notes:

- (a) During the six months ended 30 June 2007, a subsidiary of the Company purchased raw materials from Pharmco International, Inc. ("Pharmco") amounted to approximately HK\$81,821,000 (six months ended 30 June 2006: HK\$45,359,000), Pharmco is a company which is wholly owned by a former minority shareholders of Maxsun International Limited ("Maxsun"), at prices and terms as set out in the agreement entered into between the subsidiary and Pharmco.
- (b) Pursuant to a trademark licence agreement dated 14 August 2002 entered into between Beshabar (Macao Commercial Offshore) Ltd. ("Beshabar (Macao)"), a wholly owned subsidiary of the Company, and Maxsun, another wholly owned (2006: 51% owned) subsidiary of the Company, Maxsun granted a licence to Beshabar (Macao) to use its trademark of Osteoform for twenty years in certain territories free of charge.
- (c) A tax indemnity dated 30 January 2002 were entered into by the controlling shareholders of the Company, the Company and its subsidiaries, the controlling shareholders provide indemnities on a joint and several basis in respect of, among other matters, taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before 7 February 2002.

16. COMMITMENTS

At balance sheet date, the Group had the following commitments:

- (a) Capital commitments for the acquisition of property, plant and equipment

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Authorised but not contracted for	3,800	2,200
Contracted but not provided for	4,608	4,472
	8,408	6,672

- (b) Commitments for the development of new products and/or technologies

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Contracted but not provided for	12,493	12,493

17. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	30/6/2007 HK\$'000 (Unaudited)	31/12/2006 <i>HK\$'000</i> (Audited)
Property, plant and equipment	47,003	47,592
Available-for-sale investments	-	3,824
Bank balances	631	8,724
Prepaid lease payments on land use rights	12,851	12,988
	60,485	73,128

In addition, at the balance sheet date, one of the subsidiary's shares with net assets value of approximately HK\$19,107,000 (31 December 2006: HK\$20,729,000) were also pledged for banking facilities granted to the Group.

18. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 June 2007:

- (a) In July 2007, 1,700,000 and 850,000 share options were exercised at a subscription price of HK\$0.23 per share and HK\$0.39 per share, respectively, resulting in aggregate the issue of 2,550,000 ordinary shares of HK\$0.01 each in the Company.
- (b) On 26 July 2007, the Group entered into a non-binding letter of intent (the "Letter of Intent") with the shareholders of Sichuan Hengtai Pharmaceutical Company Limited ("Sichuan Hengtai") pursuant to which the Group intends to acquire the entire share capital of Sichuan Hengtai. On 9 August 2007, a refundable deposit of HK\$10 million has been paid to the shareholders of Sichuan Hengtai.