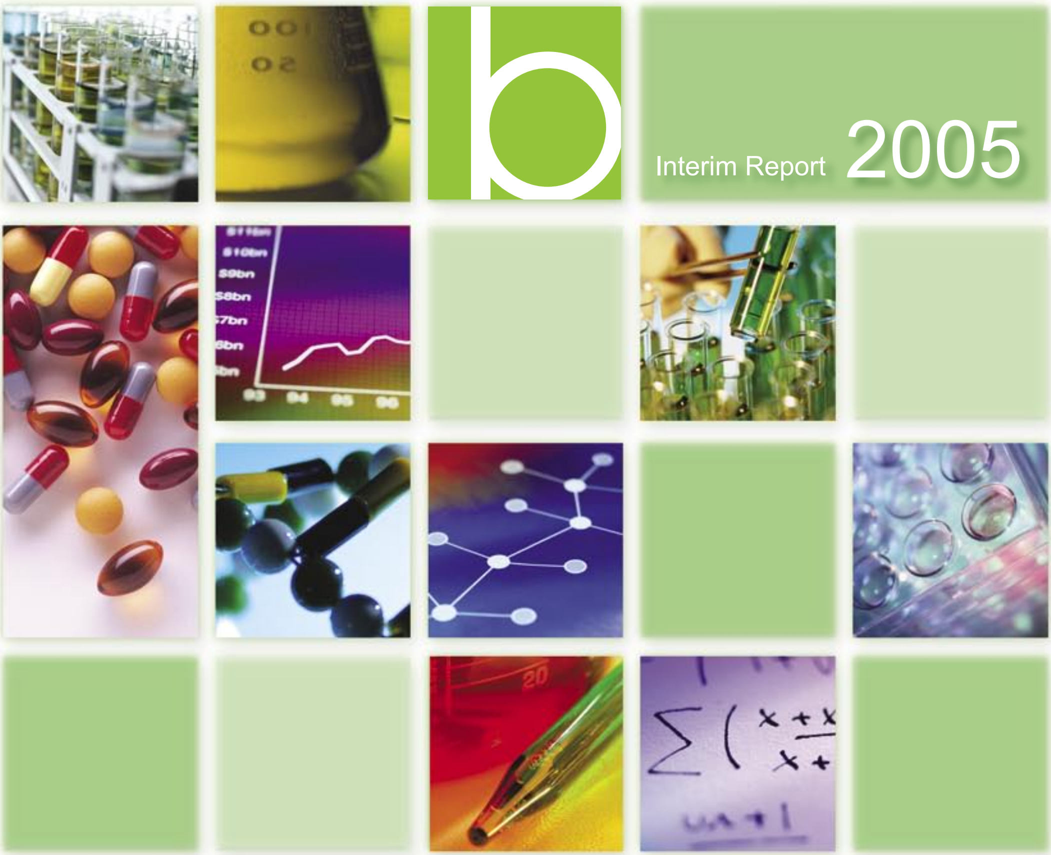
BROAD INTELLIGENCE
International Pharmaceutical Holdings Limited

(incorporated in the Cayman Islands with limited liability)



Interim Report 2005

The Board of directors (the "Board") of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2005, together with the comparative figures for the corresponding period in 2004.

The interim financial statements have not been audited, but have been reviewed by the Audit Committee and the auditors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2005	2004
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
TURNOVER	*4*	**110,025**	120,692
COST OF SALES		**(65,002)**	(69,546)
GROSS PROFIT		**45,023**	51,146
OTHER REVENUE	*4*	**348**	317
SELLING AND DISTRIBUTION EXPENSES		**(1,108)**	(1,308)
GENERAL AND ADMINISTRATIVE EXPENSES		**(6,492)**	(4,145)
PROFIT FROM OPERATIONS		**37,771**	46,010
FINANCE COSTS		**(1)**	–
PROFIT BEFORE TAXATION	*5*	**37,770**	46,010
INCOME TAX	*6*	**(5,958)**	(7,255)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**31,812**	38,755
DIVIDEND	*7*	**–**	–
EARNINGS PER SHARE – BASIC	*8*	**HK7.95 cents**	HK9.69 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30th June, 2005 (Unaudited) HK$'000	At 31st December, 2004 (Audited) (Restated) HK$'000
NON-CURRENT ASSETS			
Prepaid premium on land lease		**2,667**	2,384
Property, plant and equipment	9	**92,336**	51,505
Intangible assets		**62,642**	11,132
Negative goodwill		**–**	(753)
Total non-current assets		**157,645**	64,268
CURRENT ASSETS			
Prepaid premium on land lease		**87**	48
Inventories		**6,836**	6,238
Trade receivables	10	**41,718**	36,220
Prepayments, deposits and other receivable		**342**	13,321
Cash and bank balances		**130,715**	180,605
		179,698	236,432
CURRENT LIABILITIES			
Trade payables	11	**10,216**	9,132
Accruals and other payables		**22,376**	19,926
Tax payable		**2,934**	2,390
		35,526	31,448
NET CURRENT ASSETS		**144,172**	204,984
NET ASSETS		**301,817**	269,252
REPRESENTED BY:			
CAPITAL AND RESERVES			
Share capital	12	**40,000**	40,000
Reserves		**261,817**	229,252
Shareholders' equity		**301,817**	269,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	**44,819**	48,326
NET CASH USED IN INVESTING ACTIVITIES	**(94,709)**	(10,247)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT	**(49,890)**	38,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**180,605**	134,465
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**130,715**	172,544
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**130,715**	172,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	General reserve	Special reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)							
As at 1st January, 2005							
As previously reported	40,000	27,944	9,906	16,341	19,608	155,453	269,252
Adjustment arising from derecognition of negative goodwill	–	–	–	–	–	753	753
As restated	40,000	27,944	9,906	16,341	19,608	156,206	270,005
Profit for the period	–	–	–	–	–	31,812	31,812
Transfer to reserve	–	–	–	1,688	–	(1,688)	–
As at 30th June, 2005	40,000	27,944	9,906	18,029	19,608	186,330	301,817
(Unaudited)							
As at 1st January, 2004	40,000	27,944	9,906	12,531	19,608	91,630	201,619
Profit for the period	–	–	–	–	–	38,755	38,755
As at 30th June, 2004	40,000	27,944	9,906	12,531	19,608	130,385	240,374

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PREPARATION

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

The Company was incorporated in the Cayman Islands on 16th April, 2003 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 24th November, 2003.

The condensed financial statements 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 with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed financial statements have been prepared under the historical cost convention.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

A. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004, except as described below.

The Group has adopted all Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKASs and Hong Kong (SIC) Interpretations (HK(SIC)-Int) issued by the HKICPA up to 30th June, 2005 pertinent to its operations. The applicable HKFRSs are set out below and the interim financial report for the half-year period ended 30th June, 2004 has been restated in accordance with the relevant requirements except for HKAS 39 which is adopted prospectively as of 1st January, 2005.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits

HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 27	Evaluating the Substance of Transaction Involving the Legal Forms of a Lease

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

(i) The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 24, 27, 32, 33, 34, 36, 37, 38, 39, HK(SIC)-Ints 15 and 27 do not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation and disclosure of the accounts;
- HKASs 2, 8, 16 and 27 affect certain disclosure of the accounts;
- HKASs 7, 10, 12, 14, 18, 19, 21, 32, 33, 34, 36, 37, 38, 39, HK(SIC)-Ints 15 and 27 do not have any impact as the Group's accounting policies already comply with those standards; and
- HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

(ii) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously accounted for as finance leases and were stated at cost or valuation less accumulated depreciation. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet for the year ended 31st December, 2004 have been restated to reflect the reclassification of prepaid premium on land lease.

(iii) The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill. Prior to this, negative goodwill was recognised to income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets, except to the extent that such negative goodwill exceeded the aggregate fair value of the acquired identificable non-monetary asset, it was recognised as income immediately.

The new policy in respect of negative goodwill has been applied prospectively in accordance with the transitional arrangement under HKFRS 3. As a result, comparative amounts have not been restated, the carrying amount of negative goodwill as at 1st January, 2005 has been derecognised, with a corresponding adjustment to the opening balance of retained profits.

B. Pursuant to HKAS 8 (which outlines the disclosure requirement when a change in accounting policy has a material effect on the current and prior periods presented), the Group has restated the opening balances of the retained profits as at 1st January, 2005 to take into account the effects of changes in HKFRS 3. The effect is summarised as follows:

	Effect of adopting HKFRS 3 *HK$'000*
Increase in retained profits as at 1st January, 2005 on derecognition of negative goodwill	753

3. SEGMENT REPORTING

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

4. TURNOVER AND OTHER REVENUE

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

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
Sales of pharmaceutical products	**110,025**	120,692
Other revenue		
Interest income	**348**	236
Release of negative goodwill	**–**	81
	348	317
Total revenue	**110,373**	121,009

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Research and development costs	**106**	173
Amortisation of lease premium on land lease	**49**	31
Depreciation	**2,345**	1,487
Less: Amount included in research and development cost	**–**	(44)
	2,345	1,443
Staff costs (including directors' remuneration)		
Salaries and allowance	**2,492**	2,789
Contributions to retirement scheme	**345**	339
	2,837	3,128
Less: Amount included in research and development cost	**–**	(93)
	2,837	3,035

6. INCOME TAX

Income tax consists of:

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC enterprise income tax	**5,958**	7,255

(i) Fujian Fuqing Pharmaceutical Co., Ltd. ("Fuqing Pharmaceutical"), which was formerly a PRC domestic enterprise, was subject to PRC enterprise income tax at a rate applicable to the company on the assessable profits for the year. With effect from 16th November, 1999, Fuqing Pharmaceutical was changed from a domestic enterprise to a wholly-foreign owned enterprise and is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The 50% tax reduction was expired on 31st December, 2003.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2004: Nil).

(iii) The Group did not have any significant unprovided deferred taxation at 30th June, 2005 (2004: Nil).

7. DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 30th June, 2005 (2004: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th June, 2005 is based on the consolidated profit attributable to shareholders of approximately HK$31,812,000 (2004: HK$38,755,000) and the weighted average number of 400,000,000 shares (2004: 400,000,000 shares) in issued during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the six months ended 30th June, 2005 and 2004.

9. CAPITAL EXPENDITURE

During the period, the Group spent approximately HK$43,176,000 (six months ended 30th June, 2004: HK$10,483,000) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

The Group normally grants credit terms of 60 to 90 days to its customers.

Ageing analysis of trade receivables is as follows:

	30th June, 2005 (Unaudited) ***HK$'000***	31st December, 2004 (Audited) *HK$'000*
0 – 30 days	**20,407**	18,293
31 – 60 days	**21,311**	17,927
	41,718	36,220

11. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30th June, 2005 (Unaudited) ***HK$'000***	31st December, 2004 (Audited) *HK$'000*
0 – 30 days	**10,216**	9,132

12. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
As at 31st December, 2004 and 30th June, 2005	2,000,000	200,000
Issued and fully paid		
As at 31st December, 2004 and 30th June, 2005	400,000	40,000

13. COMMITMENTS

(a) Capital commitments

	At 30th June, 2005 (Unaudited) HK$'000	At 31st December, 2004 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	5,267
Authorised but not contracted for – acquisition of property, plant and equipment	–	11,320
	–	16,587

(b) Operating lease commitments

At 30th June, 2005, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	At 30th June, 2005 (Unaudited) HK$'000	At 31st December, 2004 (Audited) HK$'000
Within one year	**198**	440
Beyond one year but within five years	–	12
	198	452

AUDITORS' INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF BROAD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong, 13th September, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Results Highlights

For the six months ended 30th June, 2005, consolidated turnover of the Group amounted to approximately HK$110 million, (For the six months ended 30th June, 2004: HK$121 million). Profit after tax was approximately HK$32 million, (For the six months ended 30th June, 2004: HK$39 million). Basic earnings per share was HK7.95 cents (2004: HK9.69 cents).

Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2005.

Business review

Due to an anticipation of further downward adjustment on the prices of pharmaceutical products by the State Development and Reform Commission in 2005, customers were afraid of potential financial losses in case of such reduction of prices, and many of them lowered their inventory level and cut purchase order. As a result, the sales of some of the pharmaceutical products of the Group decreased.

For the six months ended 30th June, 2005, consolidated turnover of the Group amounted to approximately HK$110 million, (For the six months ended 30th June, 2004: HK$121 million). Profit after tax was approximately HK$32 million, (For the six months ended 30th June, 2004: HK$39 million). The profit margin was 40.9% (For the six months ended 30th June, 2004: 42.4%). During the first six months of 2005, the sales of large volume parenteral solution amounted approximately to HK$24.5 million (2004: HK$22.9 million). In addition, in response to the demand in the market, the production and sale of some new products with higher profit margin were launched. The management of the Company exercised stringent cost control, quality assurance and expense control, so as to minimize production and management costs and improve flexibility and efficiency. By improving its productivity and product quality and expanding its operation network, the Group has built up a robust foundation for the further development of its business.

Prospects

The Group is putting our best effort to reverse the drop in sales in the first half of 2005, and has adopted diversified product development. The new production lines will bring new momentum to the Group and increase sales amount, making the annual sales amount continue to increase. With respect to existing products, in order to release the pressure from price competition, the prices of some of the products will be adjusted to make the products of our group more competitive.

In view of the many unfavourable factors, the Group is launching various new products through active exploration of domestic and foreign markets. It is anticipated that sales amount will rise stably. By strengthening corporate management, the benchmark for product technology efficiency will rise. The Group's main focus in the second half of the year includes:

1. In early 2005 a subsidiary of the Company acquired the formulae of 39 pharmaceutical products developed by a pharmaceutical company, some of which will be put into mass production in the second half of the year. These pharmaceuticals include medicine for the treatment of pains caused by influenza and bronchitis; product for the prevention of respiratory infection caused by influenza A virus; brain tonic; product for treatment of infection from haemolytic streptococcus, meningococcus and pneumococcus; dermatological; product for rhinitis and paranasal sinuses; eye tonic; supplements; detoxification products; lipid lowering agent.

2. Keep tracking on trend of the pharmaceutical market to make timely adjustments on sales strategies, preparing for the launching of new products and actively seeking a breakthrough in the sales of new products.

3. Continuing strict internal management to enhance quality and efficiency. Through various examinations and quality control, the internal management is to be strengthened. In response to market demand, research and development is to be speeded up. Internal audit is to be strengthened on various expenses, to manage relevant risks.

4. Actively seeking the opportunities of joint venture and cooperation, further exploring the prospects of globalization.

With our experience in the manufacture and sale of pharmaceutical products, our marketing network, and our experienced and professional consultant team, the development of the Group includes:

Production lines

The setting up of six GMP-certified production lines in the new complex has been completed and put into test run in June this year. Mass production will be carried out in the second half of the year which will enhance the overall productivity and total output of the Group.

Acquisition and expansion

In order to bring maximum returns and revenue to shareholders, the Group is in the process of negotiating with two pharmaceutical companies for acquisition. The Group believes that, through horizontal and vertical acquisitions, the Group will become stronger and more competitive. The Group intends to acquire 80 to 100 Chinese acres of land in proximity to our plant to build an extension for the manufacture of raw material for Olive Granules and Anti-diabetes Tea, both are pure Chinese medicine with no side effect and will be solely distributed by the Group.

Sales of products

During the six months ended 30th June, 2005, the Group had 47 products for sale. All such products were sold in the PRC and denominated in Renminbi. Customers of the Group mainly comprised licensed pharmaceutical distributors, hospitals and clinics in the PRC. The five major products of the Group in aggregate accounted for 64% of the total turnover.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial information

The Group had cash and bank balances totaling approximately HK$131 million as at 30th June, 2005. As the Group has no outstanding bank loan, there is no gearing ratio (2004: 0%). As at 30th June, 2005, the current ratio and quick ratio are 5.06 and 4.87 respectively (as at 31st December, 2004: 7.52 and 7.32 respectively). As at 30th June, 2005, debtors turnover period, inventory turnover period and creditors turnover period were 69 days, 11 days and 30 days respectively (as at 31st December, 2004: 57 days, 10 days and 24 days, respectively). Overall, the Group has a sound financial position to support its future development.

Contingent liabilities

As at 30th June, 2005 the Group and the Company did not have any significant contingent liabilities (2004: Nil).

Interest rate and currency exposure

The Group has no material currency and interest rate exposure.

Employees and remuneration policy

As at 30th June, 2005, the Group had a total of 245 employees (June 2004: 245). The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including staff provident fund scheme and discretionary bonus scheme.

RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contribution paid for the period ended 30th June, 2005 and 2004 were approximately HK$345,000 and HK$339,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. The Group also provides housing allowances and meal allowances to its staffs. In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,000 by each of the employee and the Group) on a monthly basis to the fund.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

DISCLOSURE OF INTERESTS

Directors' interests in the shares or underlying shares

As at 30th June, 2005, the interests of the directors in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Director	Number of shares held	Percentage of interest *(Corporate interest (note))*
Zhong Houtai	211,720,000	52.93%

Note:

1. The shares are registered under the name of Elite Achieve Limited.

2. The entire share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

3. Under the SFO, Mr. Zhong Houtai is deemed to be interested in all the share interests registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed "Directors' Interests in the Share Capital" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

For the six months ended 30th June, 2005, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

SHARE OPTION SCHEME

The Share Option Scheme will be effective for a period of 10 years from 3rd November, 2003. No share option had been granted or agreed to be granted thereunder since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the following persons are interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to section 16(1) of the SDI:

Save as disclosed above, as at 30th June, 2005, the Company had not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO:

	Number of shares held	**Percentage in the issued share capital**
Elite Achieve Limited	211,720,000	52.93% *(Note)*
Mr. Zhong Houtai	211,720,000	52.93% *(Note)*

Note: The entire issued share capital of Elite Achieve Limited is legally and beneficiary owned by Mr. Zhong Houtai.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or is existing during the six months ended 30th June, 2005.

CONNECTED TRANSACTION

For the six months ended 30th June, 2005, the Group had no transaction with related parties.

CORPORATE GOVERNANCE

Compliance with the Code of Best Practice

The Group continues to improve its corporate governance and believes it is fundamental for the development of the Group as well as for the benefits of the shareholders. Save for Code Provision A2.1 and A4.1 under the Code on Corporate Governance Practices concerning the role of the chairman and chief executive officer should be separate and non-executive director should be appointed for a specific term, the board has complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and the Code of Best Practice under Appendix 14 in effect prior to 1st January, 2005. Since the Code on Corporate Governance Practices (the "Corporate Governance Code") has been in effect from 1st January, 2005, the corporate governance standard of the Company was further enhanced.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors were not in compliance with the Model Code or the Code at any time for the period ended 30th June, 2005. In the opinion of the board, the Company had fully complied with the provisions as provided under the Corporate Governance Code during the interim period. In order to be in compliance with the provisions as provided under the Corporate Governance Code, the Company has established an audit committee and a remuneration committee.

Code Provision A2.1

The Company has no Chief Executive Officer currently. Mr. Zhong Houtai is the chairman and executive director of the Company responsible for the Group's operations in the PRC. The responsibility of that of a chief executive officer is currently taken up by the chairman of the Company. If the Company can identify a suitable person with capable leadership, knowledge on medicines and relevant skills and experiences for the post from within the Group or outside, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on medicines, therefore there is no definite timetable for the appointment of chief executive officer.

Code Provision A4.1

Although independent non-executive directors of the Company are not appointed for a specific term as required under the Code, they are subject to retirement in rotation at the annual general meeting of the Company according to the bye-laws of the Company.

INDEPENDENT NON EXECUTIVE DIRECTOR

The Board considered that all non-executive directors to be independent in character and judgement. None of the non-executive directors have relationships or circumstances that are likely to effect their professional judgement and each non-executive director has provided confirmation of his independence to the Group. Details of non-executive directors please refer to the 2004 annual report of the Company.

AUDIT COMMITTEE

The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group. Two meetings were held during the current financial year to review the unaudited interim financial statements for the six months ended 30th June, 2005.

REMUNERATION COMMITTEE

The remuneration committee is led by Mr. Li Kai Ming, an independent non-executive director. Member of the remuneration committee includes Mr. Pei Renjiu and Mr. Cheung Chuen, also an independent non-executive director. The remuneration committee has adopted a defined terms of references in consistence with the Corporate Governance Code.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to the directors and the staff as a whole for their immense contribution, dedication and diligence.

On behalf of the Board
Zhong Houtai
Chairman

Hong Kong, 13th September, 2005