



BROAD INTELLIGENCE
International Pharmaceutical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1149)

Interim Report 2007



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, 2007, together with the comparative figures for the corresponding period in 2006.

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee and the external auditor of the Company 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 Hong Kong Institute of Certified Public Accountants ("HKICPA")

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30th June,	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
TURNOVER	5	204,018	156,102
COST OF SALES		(122,843)	(92,755)
GROSS PROFIT		81,175	63,347
OTHER REVENUE	5	2,932	519
SELLING AND DISTRIBUTION EXPENSES		(14,667)	(1,588)
GENERAL AND ADMINISTRATIVE EXPENSES		(16,691)	(9,904)
PROFIT FROM OPERATIONS		52,749	52,374
FINANCE COSTS		–	(1)
PROFIT BEFORE TAXATION	6	52,749	52,373
INCOME TAX	7	(9,352)	(8,611)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		43,397	43,762
DIVIDEND	8	16,720	–
EARNINGS PER SHARE			
– BASIC	9	HK10.48 cents	HK10.94 cents
– DILUTED		HK10.48 cents	–

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2007 (Unaudited) HK\$'000	At 31st December, 2006 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	10	197,658	148,990
Prepaid lease payments		3,341	3,315
Intangible assets		81,771	85,252
		<hr/>	<hr/>
Total non-current assets		282,770	237,557
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		10,000	11,016
Trade receivables	11	108,004	86,176
Prepayments, deposits and other receivable		36,698	467
Cash and bank balances		133,021	156,039
		<hr/>	<hr/>
		287,723	253,698
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	12	24,075	22,546
Accruals and other payables		30,372	25,810
Dividend payable		5	–
Tax payable		4,200	3,984
Amount due to a director		499	2,419
		<hr/>	<hr/>
		59,151	54,759
		<hr/>	<hr/>
NET CURRENT ASSETS		228,572	198,939
		<hr/>	<hr/>
NET ASSETS		511,342	436,496
		<hr/>	<hr/>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Share capital	13	44,200	40,000
Reserves		467,142	396,496
		<hr/>	<hr/>
Shareholders' equity		511,342	436,496
		<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30th June,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	1,817	58,492
NET CASH USED IN INVESTING ACTIVITIES	(48,969)	(20,642)
NET CASH FROM FINANCING ACTIVITIES	18,883	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT	(28,269)	37,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	156,039	139,327
EFFECT OF FOREIGN EXCHANGES RATES CHANGES, NET	5,251	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	133,021	177,177
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	133,021	177,177

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	General reserve	Special reserve	Exchange reserve	Share option reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)									
As at 1st January, 2006	40,000	27,944	9,906	20,117	19,608	4,104	-	218,574	340,253
Profit for the period	-	-	-	-	-	-	-	43,762	43,762
Transfer to reserve	-	-	-	2,440	-	-	-	(2,440)	-
As at 30th June, 2006	<u>40,000</u>	<u>27,944</u>	<u>9,906</u>	<u>22,557</u>	<u>19,608</u>	<u>4,104</u>	<u>-</u>	<u>259,896</u>	<u>384,015</u>
(Unaudited)									
As at 1st January, 2007	40,000	27,944	9,906	24,757	19,608	15,929	491	297,861	436,496
Issue of shares	4,000	31,200	-	-	-	-	-	-	35,200
Issue of ordinary shares upon exercise of share option	200	1,471	-	-	-	-	(491)	-	1,180
Share issuance expenses	-	(782)	-	-	-	-	-	-	(782)
Profit for the period	-	-	-	-	-	-	-	43,397	43,397
Transfer to reserve	-	-	5,381	2,691	-	-	-	(8,072)	-
Exchange differences arising from translation financial statements of overseas subsidiaries	-	-	-	-	-	12,284	-	-	12,284
Recognition of equity-settled share-based payment	-	-	-	-	-	-	287	-	287
Dividend paid	-	-	-	-	-	-	-	(16,720)	(16,720)
As at 30th June, 2007	<u>44,200</u>	<u>59,833</u>	<u>15,287</u>	<u>27,448</u>	<u>19,608</u>	<u>28,213</u>	<u>287</u>	<u>316,466</u>	<u>511,342</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. GENERAL

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 principal activities of the Group are manufacture, sale, research and development of pharmaceutical products and investment holding. The address of the Company's registered office is M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of the Company's principal place of business is 1903 Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated 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 HKICPA. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2006.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standards, amendment and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: 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

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

4. 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.

5. 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,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		
Sales of pharmaceutical products	204,018	156,102
Other revenue		
Exchange gain	2,123	–
Interest income	809	519
	2,932	519
Total revenue	206,950	156,621

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the six months ended 30th June,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Research and development costs	44	76
Amortisation of lease premium on land lease	75	70
Depreciation	5,624	3,694
Staff costs (including directors' remuneration)		
Salaries and allowance	2,713	2,710
Contributions to retirement scheme	388	404
	3,101	3,114

7. INCOME TAX

Income tax consists of:

	For the six months ended	
	30th June,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current Tax		
PRC enterprise income tax	9,352	8,611

- (i) Fujian Nanshaolin Pharmaceutical Co., Ltd. (formerly known as Fujian Fuqing Pharmaceutical Co., Ltd.) a wholly-foreign owned enterprise, was subject to PRC enterprise income tax at a rate of 15% applicable to the company on the assessable profits for the period.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2006: Nil).
- (iii) The Group did not have any significant unprovided deferred taxation arising during the period or at 30th June, 2007 (2006: Nil).

8. DIVIDEND

	Six months ended	
	30th June,	
	2007	2006
	(Unaudited)	(Unaudited)
Dividends in respect of 2006:		
Final dividend in respect of the previous financial year approval and paid during the interim period of HK3.8 cents per share (2006: Nil)	16,720	—

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

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 2007 is based on the consolidated profit attributable to shareholders of the Company of approximately HK\$43,397,000 (2006: HK\$43,762,000) and the weighted average number of 413,939,726 shares (2006: 400,000,000 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of approximately HK\$43,397,000 and the weighted average number of ordinary shares of 414,063,472 shares, calculated as follow:

Weighted average number of ordinary shares (diluted)

	2007	2006
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares at 30 June	413,940	400,000
Effect of deemed issued of shares under the Company's share option scheme for nil consideration	123	–
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	<u>414,063</u>	<u>400,000</u>

Diluted earnings per share is not presented for the six months ended 30 June 2006 as there were no dilutive potential ordinary shares.

10. CAPITAL EXPENDITURE

During the period, the Group spent approximately HK\$49,778,000 (30 June 2006: Nil) on acquisition of property, plant and equipment.

11. 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, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
0 – 30 days	49,911	47,880
31 – 60 days	50,187	31,748
61 – 90 days	7,906	6,548
	<u>108,004</u>	<u>86,176</u>

12. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
0 – 30 days	24,075	22,492
31 – 60 days	–	41
61 – 90 days	–	13
	<u>24,075</u>	<u>22,546</u>

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
<i>Authorised</i>		
As at 31st December, 2006 and 30th June, 2007	<u>2,000,000</u>	<u>200,000</u>
<i>Issued and fully paid</i>		
As at 31st December, 2006	400,000	40,000
Issue of shares through placing	40,000	4,000
Exercise of share option	<u>2,000</u>	<u>200</u>
As at 30 June, 2007	<u>442,000</u>	<u>44,200</u>

14. COMMITMENTS

Commitments outstanding but not provided in the interim financial report:

	At 30th June, 2007 (Unaudited) HK\$'000	At 31st December, 2006 (Audited) HK\$'000
Contracted for		
– prepaid lease payments	5,155	5,000
– the acquisition of property, plant and equipment	25,773	–
– patents	5,155	–
	36,083	5,000

15. POST BALANCE SHEET EVENTS

On 8 August 2007, Elite Achieve Limited (the Seller), a company wholly and beneficially owned by Mr. Zhong Houtai, an executive Director and the chairman of the Board entered into (i) the Placing Agreement with the Company and the purchaser, DKR SoundShore Oasis Holding Fund Ltd., a third party independent of the Company and connected persons of the Company, pursuant to which the Seller agreed to sell and Oasis agreed to buy the Sale Shares at the price of HK\$0.97 per sales Share and (ii) the Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue 21,899,000 new Shares to the Seller at the price of HK\$0.97 per Subscription Share.

The price per Sale Share of HK\$0.97 represents (i) a discount of approximately 8.49% to the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on 8 August 2007; (ii) a discount of approximately 9.35% to the average of the closing prices of approximately HK\$1.07 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 11.01% to the net asset value per Share of approximately HK\$1.09 based on the audited consolidated net asset value of the Group as at 31 December 2006.

The net proceeds to be raised from the Subscription are expected to be approximately HK\$20 million and all will be applied to build factory and purchase equipment for refinery and storage purposes within the scope of pharmaceutical business of the Company.

The placing of 21,899,000 shares was completed on 16 August 2007. The issued and fully paid share capital has been increased by approximately HK\$21,242,000.

**CCIF****CCIF CPA LIMITED**

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10 Hysan Avenue
Causeway Bay Hong Kong

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
BOARD INTELLIGENCE INTERNATIONAL PHARMACEUTICAL HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 1 to 11, which comprise the condensed consolidated balance sheet of Broad Intelligence International Pharmaceutical Holdings Limited (the "Company") as of 30 June, 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on 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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"). The directors are responsible for the preparation and fair presentation of this interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial statements based on our review. This report is made 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial statements 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 statements is not prepared, in all material respects, in accordance with HKAS 34.

CCIF CPA Limited

Certified Public Accountants
Hong Kong

Chan Wai Dune, Charles

Practising Certificate Number P00712

Hong Kong, 27th September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

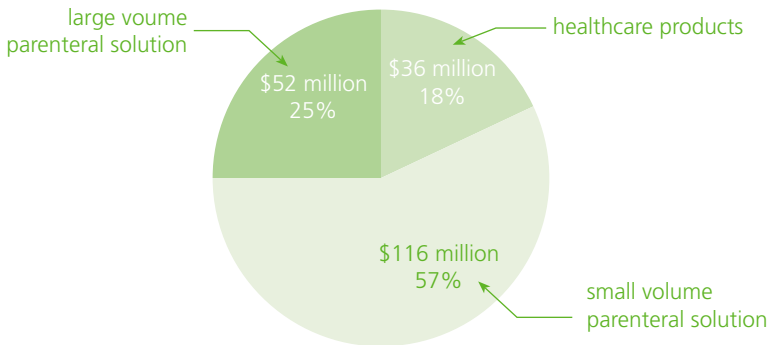
Results Highlights

For the six months ended 30th June, 2007, consolidated turnover of the Group amounted to approximately HK\$204 million, (For the six months ended 30th June, 2006: HK\$156 million), representing a sharp increase of approximately 30.7% over the last period. Gross profit margin was approximately 39.8% (For the six months ended 30th June, 2006: 40.6%). Profit after tax was approximately HK\$43.3 million, (For the six months ended 30th June, 2006: HK\$43.8 million), representing a slight decrease of 0.8% over the last period. Basic earnings per share was HK10.48 cents (2006: HK10.94 cents).

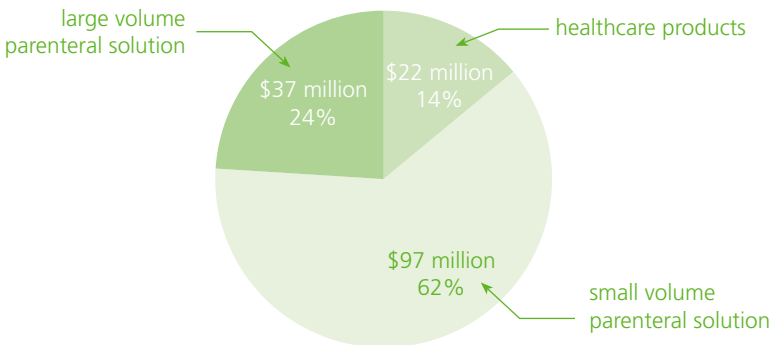
Profit after tax did not increase in proportion with the sharp increase in sales because the important marketing events for 2006 only started in the second half of the year, while the important marketing events for 2007 began in the first half of the year. Therefore, the selling and distribution expenses for the first half of the year 2007 increased abruptly than last year. After the important marketing events in the first half of 2007, the Group estimated that the results of the second half of 2007, including sales and profit after tax, would both improve.

Among the consolidated turnover HK\$204 million for the first six months of 2007, the sales of small volume parenteral solution, large volume parenteral solution and healthcare products amounted to HK\$116 million, HK\$52 million and HK\$36 million respectively (As at 30 June 2006: HK\$97 million, HK\$37 million and HK\$22 million respectively). The sales amount increase sharply during the period. The Sales of health product constitute 17.8% of the total sales. The management of the Company exercised stringent cost control and quality assurance, so as to minimize production and operating costs while improving efficiency and maintaining production of high-quality products.

Turnover Analysis for the six months ended 30 June, 2007



Turnover Analysis for the six months ended 30 June, 2006



Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2007.

Business review

The Group owned one production line for each of large volume parenteral solution and small volume parenteral solution, In addition, we owned 15 production lines which were granted GMP certification by the State Food And Drug Administration to produce the following products: pill, capsule, granule, powder, herbal tea, edible solution (口服溶液劑), syrup, suspension, nasal drop, eye drop, ear drop, tincture, solution, suppository and aerosol.

Placing of Shares

The Group placed shares respectively in February and August, 2007. The Board considered placing shares as an opportunity for the Group to raise additional fund and to enlarge the Group's shareholder base and capital base, and through the activities, the liquidity of the shares would be improved.

Products

The Group holds permits for over 100 pharmaceutical products, and national patents for production process of 3 products, including the production process of Olive Granules (橄欖晶沖劑) and the extracting method of Anti-diabetes Tea (降糖茶). In the first half of the year 2007, the selling products of the Group reached over 76 types. These reflected the superiority and diversification of the Group's products.

Besides, there are a total of 3 products permitted to be sold and used in Hong Kong, including Kanamycin sulfate injection solution, Netilmicin sulfate injection solution, and Lincomycin hydrochloride injection solution, a product which has just been permitted to be sold and used in Hong Kong in the current year. These three products pave the way for the Group to move forward towards internationalization.

Target Customers

The Group's injection products are intended for patients in hospitals or clinics, while the healthcare products are intended for people in the country who cares for their health. As population in Mainland China continues to grow and the frequent social activities, the population with diseases like high blood pressure, diabetes or damage of liver by alcoholism is also growing. The Group's healthcare pharmaceutical products catering for these diseases, extracted from natural herbs such as Anti-blood pressure Tea (降壓袋泡茶), Anti-diabetes Tea (維甜美降糖茶) and Olive Granules (橄欖晶沖劑) are well received after launching into the market.

Outlook and Prospect

Development of Products

In July 2007, according to Chinese Health Education Association Routine Vice-chairman Liu Ke Ling introduced that, the infection rate for Chinese nationals for diabetes ranked the second in the world. There were more than 3,000 nationals infected with the disease every day. Although there is a large number of diabetes patients in China, there is no drinks that is catered for diabetes patients at present. As alcohols or drinks with high amount of sugar in general are not suitable for diabetes patients, to satisfy the need for the patients, the Group is developing a healthy drink with herbal medicine as ingredients from the inherited formula from the ancestors. It is hoped that the drink can be launched into the market within two years, so that there is a drink suitable for the patients in supermarkets, convenient stores, restaurants, hotels or various social gatherings.

Adding Production Line and Acquisition

To add value and returns for all shareholders of the Company, and to strengthen and sharpen the edge of the Group, the Group will add a production line in the new factory to produce the aforementioned healthy drinks for diabetes patients. The Group is now considering an acquisition of a distributor in Xinjiang to promote the Group's products.

Sale of Products

As at 30 June, 2007, the Group was selling 76 products of different kinds, all in China. Among them, 64 were parenteral products and the other 12 were healthcare products. All marking prices of the products were in Renminbi . The customers of the Group mainly included registered drug distributors, hospitals and clinics in China.

CAPITAL AND OTHER INFORMATION OF THE GROUP

Financial information

The Group had cash and bank balances totaling approximately HK\$133 million as at 30th June, 2007. As the Group has no outstanding bank loan, there is no gearing ratio (2006: 0%). As at 30th June 2007, the current ratio and quick ratio are 4.86 and 4.7 respectively (as at 31st December, 2006: 4.63 and 4.43 respectively). As at 30th June, 2007, debtors turnover period, inventory turnover period and creditors turnover period were 83 days, 9 days and 39 days respectively (as at 31st December, 2006: 79 days, 12 days and 42 days, respectively). Overall, the Group has a sound financial position to support its future development.

Contingent Liabilities

As at 30 June 2007, the Group and the Company did not have any significant contingent liability (2006: Nil).

Interest rate and currency exposure

The Group has no material currency and interest rate exposure.

Employees and remuneration policy

As at 30 June 2007, the Group had a total of 120 employees (2006: 127). The Group regularly reviews the 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 six months ended 30 June 2007 and June 2006 was approximately HK\$368,000 and HK\$404,000 respectively. The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowance to this staff. 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 RIGHTS

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 ended 30 June 2007.

Directors' Interest in Share Capital

As at 30 June 2007, 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 ("SDI")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI were as follows:

Director	No. of shares Held	Percentage of Interest <i>(Corporate interest (Note))</i>
Zhong Houtai	211,720,000	47.9%

Notes:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the section headed "Directors' Interests in Share Capital" above, at no time during the year 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

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 period ended 30 June 2007.

SHARE OPTION SCHEME

The share option scheme is effective for a term of ten years from 3 November 2003. The following table discloses movements in the Company's Share Option Scheme during the year:

Category of participant	Date of grant	Number of share options				Outstanding as at 30 Jun 2007	Exercisable period	Market value per share	
		Outstanding as at 1 Jan 2007	Granted during the year	Exercised during the year	Lapsed during the year			Exercise price per share HK\$	at date of grant HK\$
Consultant	14 Sept 2006	2,000,000	–	2,000,000	–	0	14 Sept 2006 to 13 Sept 2008	0.59	0.59
Consultant	14 May 2007	–	1,000,000	–	–	1,000,000	14 May 2007 to 13 May 2009	1.048	1.03
Total		<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>–</u>	<u>1,000,000</u>			

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, persons 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 Securities (Disclosure Of Interest) Ordinance were as follows:

Shareholder	Number of shares	Percentage hold
Elite Achieve Limited	211,720,000	47.90% (Note 1)
Zhong Houtai	211,720,000	47.90% (Note 1)
Galaxy China Opportunities Fund	34,856,000	7.89%
Deutsche Bank Aktiengesellschaft	34,852,000	7.89%
Pequot Healthcare Emerging Markets Master Fund	26,509,300	6.00%

Note 1: The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

Save as disclosed above, as at 30 June 2007, the Company is not aware of any person having interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract 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 30 June 2007.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2007, the Group had no transactions with related or connected parties.

CORPORATE GOVERNANCE

Corporate governance practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the period ended 30 June 2007, the Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices ("CG Code") set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The following describes the Company's corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

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, 2007. 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 except as indicated below. 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

According to the code provision A2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated. However, 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

According to the code provision A4.1 of the CG Code, independent non-executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term as required under the Code, but 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 DIRECTORS

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board of Directors. Amongst them, Mr. Cheung Chuen, who is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has more than six years' experience in accounting and auditing, has the appropriate professional qualifications required under Rule 3.10(2).

The independent non-executive Directors have participated in Board meetings as well as its various Board committees, and have given their opinions on the decision making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. The Board considered that all non-executive Directors to be independent in character and judgement. None of the independent non-executive Directors have relationships or circumstances that are likely to effect their professional judgement and the independent non-executive Directors have made active contribution to protecting the interests of the Company as a whole and the legal rights of all of shareholders of the Company, as well as promoting the healthy development of the Company. Three independent non-executive Directors separately submitted their confirmation letters on their independence, confirming that they had strictly observed the requirements for independence as set out in rule 3.13 of the Listing Rules during the year under review. Independent non-executive Directors are independent persons of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") as the code for securities transactions by Directors. During the accounting period covered by this annual report, the Company had complied with the Model Code. After making inquiry of the Directors, the Company confirmed that the Directors had complied with the provisions of the Model Code.

AUDIT COMMITTEE

The audit committee is established with written terms of reference in compliance with the CG Code. 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. Mr. Cheung Chuen is the chairman of the committee. 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. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. Every year, the audit committee meets with external auditors of the Company to discuss the annual audit plan. 2 meetings were held during the current period including to review the unaudited financial statements for the six months ended 30 June 2007.

NOMINATION COMMITTEE

According to the CG Code, the Company shall set up a nomination committee with a majority of the members thereof being independent non-executive directors. However, the Company did not establish a nomination committee. The process and criteria adopted by the Board to select and recommend candidates for directorship are based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. During the year, no Director has been newly appointed.

REMUNERATION COMMITTEE

The remuneration committee is established with a defined terms of reference in consistence with the CG Code and it is available from the Company Secretary at any time. The duties of the remuneration committee includes making recommendations with respect to the remuneration of the executive Directors for approval by the Board, reviewing and recommending salaries, bonuses, merit plans, reward and recognition strategies, including the appropriation of funds for incentive awards for Directors, and administering and making determinations with regard to the Company's share option scheme.

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.

PUBLIC FLOAT

As at the date of this report, the Company had 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 staff as a whole for their immense contribution, dedication and diligence during the year.

By order of the board

Zhong Houtai

Chairman

27th September 2007