

ASIAPHARM GROUP LTD.

Unaudited First Quarter Financial Statement Announcement for the Period Ended 31/3/2006

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group profit and loss statement			
	1QFY06	1QFY05	
	31.3.2006	31.3.2005	Changes
	RMB'000	RMB'000	%
Revenue	76,567	70,775	8.2%
Cost of sales	(14,937)	(18,987)	-21.3%
Gross profit	61,630	51,788	19.0%
Other operating income	810	934	-13.3%
Distribution expenses	(30,804)	(27,033)	13.9%
Administrative expenses	(6,118)	(6,102)	0.3%
Other operating expenses	(3,919)	(2,498)	56.9%
Profit from operations	21,599	17,089	26.4%
Finance costs	(258)	(976)	-73.6%
Profit from operating activities before tax	21,341	16,113	32.4%
Taxation	(651)	(557)	16.9%
Net profit	20,690	15,556	33.0%
Attributable to:			
Equity holders of the parent	20,490	15,558	31.7%
Minority interests	200	(2)	N.M.
Net profit	20,690	15,556	33.0%

N.M. = Not meaningful

Notes to income statements

a) Cost of sales

Cost of sales comprises cost of materials, R&D expenses, direct labour and manufacturing overheads.

b) Other operating income

For the 3 months ended

31.3.2006

31.3.2005

RMB'000

RMB'000

Interest income	274	169
Write-back of long aged payables	374	-
Others	162	765
	810	934

c) Other operating expenses

R&D expenses	(3,906)	(2,398)
Loss on disposal of property, plant and equipment	(6)	-
Others	(7)	(100)
	(3,919)	(2,498)

d) Profit from operating activities

Profit from operating activities is arrived at after charging:

e) Taxation

The Group's major subsidiary in the PRC ("Shandong Luye") is exempted from corporate tax and local income tax for its first 2 profit-making years commencing from the first profitable year and is entitled to a 50% tax exemption (ie. 12%) for the succeeding 3 years since converting to a foreign investment enterprise on 24 September 2003.

On 17 June 2005, Shandong Luye obtained tax approval from the relevant tax authorities as a qualified foreign-owned manufacturing enterprise engaging in technology-intensive and knowledge-intensive projects ("Double-Intensive Enterprise") and pursuant thereto Shandong Luye as a Double-Intensive Enterprise, is currently subjected to the corporate income tax rate at 15% with effect from 1 January 2005.

Pursuant to the tax exemptions stated above, Shandong Luye in the PRC shall be entitled to pay a reduced tax rate of 7.5% instead of 12% as previously announced, until 31 December 2007.

On 1 August 2005, Shandong Luye obtained a further extension of the 50% tax exemption (ie. 7.5%). However the said exemption extension is subject to a minimum corporate income tax rate of 10%, for 3 years from 1 January 2008.

For illustration purposes only, subject to changes in the PRC tax law and regulations, the applicable tax rates for Shandong Luye are summarised as follows:

FY2003 (with effect from 24 September 2003)	Nil
FY2004	Nil
FY2005 to FY2007 (50% of 15%)	7.5%
FY2008 to FY2010	not less than 10%

f) Comparative figures

The Group has reclassified R&D expenses for sales of R&D results of RMB 0.8 million (1QFY2005 : RMB 1.5 million) from Other Operating Expenses to Cost of Sales to be consistent with our FY2005 audited financial statements.

1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group	Group	Company	Company
	31.3.2006	31.12.2005	31.3.2006	31.12.2005
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	111,831	114,915	-	-
Construction in progress	268	379	-	-
Investments in subsidiaries	-	-	994	994
Intangible assets	1,699	1,967	-	-
Land use rights	6,695	6,735	-	-
Available-for-sale investments	4,509	4,535	-	-
Long term deferred expenditure	4,167	4,292	-	-
Goodwill	5,880	5,880	-	-
Deferred income tax assets	557	513	-	-
	135,606	139,216	994	994
Current assets				
Inventories	35,097	29,110	-	-
Contracts for services	4,438	4,438	-	-
Trade and notes receivables	155,098	138,302	-	-
Prepayments, deposits and other receivables	6,968	10,912	398	418
Cash and short-term deposits	79,931	70,399	2,754	3,682
Due from holding companies	-	577	-	-
Due from related parties	-	40	-	40
Due from subsidiaries	-	-	187,566	188,810
	281,532	253,778	190,718	192,950
TOTAL ASSETS	417,138	392,994	191,712	193,944
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	67,579	67,579	67,579	67,579
Reserves	282,050	260,999	101,440	104,676
Proposed dividend	16,454	16,454	16,454	16,454
	366,083	345,032	185,473	188,709
Minority interests	4,674	4,474	-	-
Equity and minority interests	370,757	349,506	185,473	188,709
Non-current liabilities				
Deferred income tax liabilities	695	-	-	-
Government grants	2,133	2,479	-	-
	2,828	2,479	-	-
Current liabilities				
Interest-bearing loans and borrowings	23,000	10,740	-	-
Trade and notes payables	7,311	9,755	-	-
Accrued liabilities and other payables	11,954	20,381	1,465	1,337
Income tax payable	-	13	-	-
Due to a holding company	1,288	-	1,272	333
Due to related parties	-	120	-	-
Due to subsidiaries	-	-	3,502	3,565
	43,553	41,009	6,239	5,235
TOTAL EQUITY AND LIABILITIES	417,138	392,994	191,712	193,944

Notes to balance sheet:

1. Long-term deferred expenditure refers to the Group's investment in a joint venture with Yantai University to set up Yantai Pharmaceutical College. This deferred expenditure is amortised over a period of ten years on a straight line basis.
2. The interest bearing loans and borrowings increased by RMB12.3 million due to anticipated working capital and other funding requirements of Shandong Luye.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

(In RMB'000)

As at 31.3.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
23,000	-	8,000	2,740

Amount repayable after one year

(In RMB'000)

As at 31.3.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As of 31 March 2006, the Group's secured bank loans are guaranteed by Shandong Luye Pharmaceutical Group Co., Ltd. (the former holding company) and secured by the Group's buildings, machinery and equipment.

- 1c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Cash Flow Statement	31.3.2006	31.3.2005
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax and minority interests	21,341	16,113
Adjustments for:		
Net finance costs	45	564
Loss on disposal of property, plant and equipment	6	-
Amortisation of long-term deferred expenditures	125	125
Depreciation of property, plant and equipment	3,276	2,675
Amortisation of intangible assets	268	195
Amortisation of land use rights	40	40
Exchange differences on consolidation	586	102
Operating profit before working capital changes	25,687	19,814
Increase in trade and notes receivables	(16,796)	(12,518)
Decrease/(increase) in prepayments, deposits and other receivables	5,816	(11,187)
Decrease in amounts due from related parties	40	61
Decrease in amount due from holding company	577	-
Increase in inventories	(5,987)	(4,038)
Decrease in government grants	(346)	-
(Decrease)/increase in trade and notes payables	(2,444)	3,541
Decrease in accrued liabilities and other payables	(8,427)	(1,553)
Decrease in amounts due to related parties	(120)	(1,030)
Increase/(decrease) in amount due to holding company	1,288	(120)
Cash used in operating activities	(712)	(7,030)
Interest paid	(319)	(733)
Income tax paid	(1,885)	(14)
Net cash outflow used in operating activities	(2,916)	(7,777)
Cash flows from investing activities		
Purchase of property, plant and equipment and construction in progress	(85)	(2,932)
Interest received	274	169
Acquisition of minority interests	-	(12,454)
Net cash inflow/(outflow) from investing activities	188	(15,217)
Cash flows from financing activities		
Proceeds from loans	15,000	-
Repayment of term loans	(2,740)	(10,000)
Net cash inflow/(outflow) from financing activities	12,260	(10,000)
Net increase/(decrease) in cash and cash equivalents	9,532	(32,994)
Cash and cash equivalents at beginning of the period	70,399	132,671
Cash and cash equivalents at end of the period	79,931	99,677

Notes to Cash flow statement					
Cash and short-term deposits included in the statement of cash flows comprise the following balance sheet amounts:					
			31.3.2006	31.3.2005	
			RMB'000	RMB'000	
Cash and bank balances			33,431	49,521	
Short-term deposits			46,500	50,156	
Cash and short-term deposits			79,931	99,677	

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Asiapharm Group Ltd & Subsidiaries												
GROUP												
	Share capital	Share premium account	Statutory surplus reserves	Statutory public welfare fund	Reserve fund	Enterprise expansion fund	Foreign currency translation reserves	Retained earnings	Proposed final dividend	Total	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	67,579	102,565	16,135	8,067	-	-	(149)	64,377	13,516	272,090	11,293	283,383
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	(7,363)	(7,363)
Payment of 2004 final dividend	-	-	-	-	-	-	-	-	(13,516)	(13,516)	-	(13,516)
Net profit for the year	-	-	-	-	-	-	-	89,620	-	89,620	544	90,164
Transfer to statutory reserves	-	-	337	168	9,460	4,730	-	(14,695)	-	-	-	-
Currency realignment	-	-	-	-	-	-	(3,162)	-	-	(3,162)	-	(3,162)
Proposed 2005 final dividend	-	-	-	-	-	-	-	(16,454)	16,454	-	-	-
At 31 December 2005 and 1 January 2006	67,579	102,565	16,472	8,235	9,460	4,730	(3,311)	122,848	16,454	345,032	4,474	349,506
Net profit for the period	-	-	-	-	-	-	-	20,490	-	20,490	200	20,690
Transfer to statutory reserves	-	-	-	-	1,351	675	-	(2,026)	-	-	-	-
Currency realignment	-	-	-	-	-	-	546	16	-	561	-	561
At 31 March 2006	67,579	102,565	16,472	8,235	10,811	5,405	(2,765)	141,327	16,454	366,083	4,674	370,757
COMPANY												
	Share capital	Share premium account	Foreign currency translation reserves	Retained earnings	Proposed final dividend	Total Equity						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000						
At 1 January 2005	67,579	102,540	222	406	13,516	184,263						
Payment of 2004 final dividend	-	-	-	-	(13,516)	(13,516)						
Net Profit for the year	-	-	-	22,393	-	22,393						
Currency realignment	-	-	(4,431)	-	-	(4,431)						
Proposed 2005 final dividend	-	-	-	(16,454)	16,454	-						
January 2006	67,579	102,540	(4,209)	6,345	16,454	188,709						
Net Profit/(loss) for the period	-	-	-	(2,004)	-	(2,004)						
Currency realignment	-	-	(1,238)	6	-	(1,232)						
At 31 March 2006	67,579	102,540	(5,447)	4,347	16,454	185,473						

Notes to Statement of changes in equity

1. In accordance with the Company Law of the PRC, the Group's subsidiaries in the PRC are required to allocate 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the PRC subsidiaries, to the Statutory Surplus Reserve ("SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. In accordance with the Company Law of the PRC, the PRC subsidiaries are required to transfer 5% to 10% of its profit after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to a statutory public welfare fund ("PWF") which is a non-distributable reserve other than in the event of liquidation. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain as the properties of the PRC subsidiaries.

According to the revised Company Law of the PRC effective from 1 January 2006, Luye R&D and Luye Trading are not required to transfer their profit after tax to PWF.

2. Prior to 1 January 2005, Shandong Luye appropriated its profit after tax to the SSR and PWF. Shandong Luye was converted into a wholly foreign owned enterprise during the year following the acquisition of the minority interests, and in accordance with the relevant rules applicable to foreign investment enterprise, Shandong Luye is required to appropriate 10% and 5% of its profit after tax to the reserve fund and enterprise expansion fund respectively, instead of to SSR and PWF. Reserve fund can be used to set off losses and increase capital as approved. Enterprise expansion fund must be used to expand production or operations and to increase capital as approved.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Group's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not Applicable

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	31.3.2006	31.3.2005
Net Profit attributable to ordinary equity holders of the parent entity (RMB'000)	20,490	15,558
Basic EPS (RMB cents)	5.02	3.82
Diluted EPS (RMB cents)	5.02	3.82
Number of shares in calculating EPS	407,764,900	407,764,900
There were no potential dilutive ordinary shares in existence for the periods ended 31 March 2006 and 31 March 2005.		

Earnings per ordinary share for the financial periods ended 31 March 2006 and 31 March 2005 are computed based on the weighted average number of 407,764,900 shares in issue.

7. Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	31.3.2006	31.12.2005	31.3.2006	31.12.2005
Net Asset (RMB'000)	366,083	345,032	185,473	188,709
Net asset value (RMB cents)	89.78	84.62	45.49	46.28
Number of Shares in calculating NAV	407,764,900	407,764,900	407,764,900	407,764,900

- (a) Net asset value per ordinary share for the Group for the current financial period is calculated by dividing Group net asset of RMB 366.1 million by the actual number of 407,764,900 shares of US\$0.02 each. Net asset value per ordinary share for the Company for the current financial period is calculated by dividing the Company's net asset of RMB 185.5 million by the actual number of 407,764,900 shares of US\$0.02 each.
- (b) Net asset value per ordinary share for the Group for the immediately preceding financial year is calculated by dividing Group net asset of RMB 345.0 million as at 31.12.2005 by the actual number of 407,764,900 shares of US\$0.02 each. Net asset value per ordinary share for the Company for the immediately preceding financial year is calculated by dividing the Company's net asset of RMB 188.7 million by the actual number of 407,764,900 shares of US\$0.02 each.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Revenue

First Quarter Performance

The Group continued its steady growth in the first quarter of FY2006 ("1QFY2006"), with revenue rising 8.2% or RMB 5.8 million as compared to 1QFY2005. The increase in revenue can be attributed to higher sales of our pharmaceutical drugs, offset by lower export sales, sales of R&D results and distribution sales of other companies' drugs. Sales of our Group's pharmaceutical drugs, excluding distribution sales, contributed approximately 89.7% of our total revenue in 1QFY2006, as compared to 77.6% in 1QFY2005.

Sales of our Group's pharmaceutical drugs in 1QFY2006 grew by RMB 13.8 million or 25.1% as compared to 1QFY2005. The main contributors to the increase in the sale of our pharmaceutical drugs and their growth percentages were Maitongna (7.1%), Lutingnuo (32.8%), Nuosen (90.2%) and Sidinuo (60.1%), respectively.

Distribution sales of other companies' drugs continued to decline by RMB 0.6 million or 59.4% to RMB 0.4 million in 1QFY2005.

As a result of the Group's decision to devote more R&D resources for the development of our own drugs instead of third party contract research or sales of R&D results, sales of R&D results reduced by RMB 3.0 million or 46.9% as the Group devotes most of its resources toward the research for our own product pipeline.

Export sales of active ingredients reduced significantly by RMB 4.4 million or 52.0% in 1QFY2006, as the Group has strategically continued to reduce export sales of active ingredients due to its low margin and higher credit risks.

Gross profit

First Quarter Performance

The Group's first quarter gross profit improved by RMB 9.8 million or 19.0% from RMB 51.8 million in 1QFY2005 to RMB 61.6 million in 1QFY2006 due mainly to a net increase in sales as well as the reduction in our cost of sales as a result of a change in our sales mix.

Gross profit margin increased by 7.3 percentage points, from 73.2% in 1QFY2005 to 80.5% in 1QFY2006, due mainly to our efforts in changing the sales mix to focus in the sale of pharmaceutical drugs, which commanded a higher gross profit margin.

Operating expenses

First Quarter Performance

Management's continuous effort to contain costs bore fruits as selling and distribution expenses rose moderately by 13.9% from RMB 27.0 million to RMB 30.8 million due mainly to an increase in transportation costs and marketing expenses, despite a 25.1% increase in the sales of pharmaceutical drugs. Administrative expenses remained constant at RMB 6.1 million. Other operating expenses increased due mainly to increase in R&D expenses by 56.9% or RMB 1.4 million to RMB 3.9 million in line with the Group's decision to decrease the sales of R&D results and focus on our own product development.

Taxation

The effective tax rate of the Group for the current period under review is 3.1%, which is lower than the tax rate of 7.5% for our main operating subsidiary, due to capital allowances and tax rebates received by Shandong Luye.

Profitability

First Quarter Performance

Net profit after tax and minority interests increased by RMB 4.9 million or 31.7% from RMB 15.6 million to RMB 20.5 million primarily due to:

- (i) increase in gross profits by RMB 9.8 million as explained above; and
- (ii) decrease in financial expenses of RMB 0.5 million; offset by
- (iii) increase in distribution expenses and R&D expenses in line with the change in sales mix and our revenue growth.

Balance sheet

There is no material variance for the balance sheet items between 31 March 2006 and 31 December 2005 except for the following:

- (i) Property, plant and equipment decreased by RMB 3.1 million due mainly to depreciation charge for the quarter of RMB 3.3 million;
- (ii) Inventories increased by RMB 6.0 million to RMB 35.1 million in line with the increase in sales of our own pharmaceutical drugs;
- (iii) Trade and note receivables increased by RMB 16.8 million to RMB 155.1 million in line with the increase in our own pharmaceutical sales, as well as the higher R&D receivables that is not yet due for payment;
- (iv) Prepayments, deposits and other receivables decreased by RMB 3.9 million to RMB 7.0 million due mainly to the following:
 - a. decrease in prepayment of RMB 6.9 million for the purchase of raw materials in FY2005; offset by:
 - b. increase in cash advances to sales offices of RMB 2.0 million for their working capital usage; and
 - c. increase in tax receivable of RMB 1.0 million due mainly to sales tax and income tax refundable for one of the PRC subsidiaries;
- (v) Cash and cash equivalents increased by RMB 9.5 million to RMB 79.9 million due mainly to the following:
 - a. proceeds from loan of RMB 15.0 million; offset by
 - b. repayment of loan of RMB 2.7 million; and
 - c. net cash outflow used in operating activities of RMB 2.9 million;
- (vi) Deferred income tax liabilities increased by RMB 0.7 million due to deferred tax liability as a result of timing differences from capitalised R&D expenses of one of our PRC subsidiaries;
- (vii) Interest-bearing loans and borrowings increased by RMB 12.3 million as a result of short-term loan of RMB 15.0 million secured, offset by repayment of RMB 2.7 million made;
- (viii) Trade and note payables increased by RMB 2.4 million due mainly to more raw materials purchased, in line with the increase in sales of our pharmaceutical drugs;
- (ix) Accrued liabilities and other payables decreased by RMB 8.4 million to RMB 12.0 million due mainly to :
 - a. a decrease in other taxes (sales and VAT taxes) of RMB 5.5 million;
 - b. a decrease in amount due for purchase of property, plant and equipment as well as construction in progress of RMB 0.9 million; and
 - c. a decrease in advance from customers of RMB 2.0 million in line with less R&D contracts for FY2005.
- (x) Net amount due to a holding company increased by RMB 0.7 million as a result of expenses paid on behalf of the Group during the year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Directors believe that the Group's continued growth will be derived from sales of pharmaceutical drugs.

The growth in sales of pharmaceutical drugs will be driven by the following factors:

- (i) continued strong growth of our key products such as Maitongna, Lutingnuo and Nuosen;
- (ii) other products, Sidinuo (Elcatonin for injection) and Okai will provide new growth impetus;
- (iii) our newly launched drug, Ximingting, a safe, natural alternative to the chemical drugs used for Hormone Replacement Therapy ("HRT");
- (iv) Our Group expects to launch three other new products, Pantoprazole Pellets Capsule (oral formulation of Nuosen), Capasicin gel and Dioctahedral Smectite Disperse Tablet in 1HFY2006 which are expected to contribute to our future revenue; and
- (v) The restructuring of Luye Drugs Trading, our subsidiary in the PRC, to focus on our own drugs and distribute imported drugs with higher margin.

As part of our ongoing effort to increase our sales of domestic pharmaceutical drugs, we will continue with our current initiatives by:

- (i) introducing new pharmaceutical drug(s) annually, and extending our reach of the pharmaceutical drug market by expanding our distribution network and usage of our pharmaceutical drugs in hospitals; and
- (ii) increasing product penetration within the different specialisation of the current 2000 hospitals we serve.

For R&D sales, we will continue to do the following:

- (i) devote more resources towards R&D for our future product pipeline;
- (ii) continue to provide third party R&D contract services and transfer of technology; and
- (iii) actively looking for foreign partners to co-develop new products.

The Group has embarked on and will continue to increase our overseas pharmaceutical sales by:

- (i) focusing on sales of pharmaceutical drugs to Vietnam and development of new markets in other Asian countries;
- (ii) working toward attaining the Good Manufacturing Practice ("GMP") under the United States Food and Drug Administration ("FDA"), the Australian Therapeutic Goods Administration ("TGA") and/or the European Union's EMEA standards, through the collaboration with Global Harvest Pharmaceuticals; and
- (iii) forming strategic alliance with international pharmaceutical companies to eventually manufacture and distribute new products jointly in the Asia Pacific region and Europe.

In line with our strategic objective of forming alliance and co-operation with international pharmaceutical companies, we have entered into the following agreements:

- Strategic Alliance with Biomedica Foscoma from Italy (announced on 11 January 2005);
- Exclusive supply agreement with Dr. Reddy Laboratories Limited from India (announced on 4 April 2005);
- Alliance agreement with Napo Pharmaceuticals, Inc. from the US (announced on 26 May 2005);

- Collaboration agreement with Sochinaz SA from Switzerland (announced on 27 June 2005); and
- Collaboration agreement with Temasek Life Science Laboratory from Singapore (announced on 2 August 2005).

In addition to the above, the Group continues to explore opportunities, both locally and overseas, in possible acquisition of products as well as merger and acquisition of companies with high profit earning potential, similar product and specialisation and synergies to the Group. In FY2006, the Group has identified a few potential M&A targets which have met our criteria stated above and we are in the process of assessing these targets.

As stated in the Prospectus under "Risk Factors" relating to the industry in which the Group operates, the Directors wish to inform that to the best of the Directors' knowledge, it is presently possible to procure insurance coverage for product liabilities arising from the manufacture or sale of drugs in the PRC. We have received quotations and are currently reviewing and negotiating for such insurance coverage on appropriate scope and reasonable terms acceptable to us.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

- 12. If no dividend has been declared/recommended, a statement to that effect.**
No dividend has been declared/recommended for the current period reported on.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT **(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**
- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**
- 15. A breakdown of sales.**

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend	Latest Full Year	Previous Full Year
Ordinary		
Preference		
Total:		

17. Interested party transactions

For the current period reported on, there were no interested person transactions.

BY ORDER OF THE BOARD

**Liu Dianbo
Executive Chairman
2.5.2006**