AIDA PHARMACEUTICALS INC
Form 10QSB/A
February 02, 2007

OMB APPROVAL

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-QSB/A**

(Mark One)

S

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

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TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number **000-50212**

**AIDA PHARMACEUTICALS, INC.**

(Exact name of small business issuer as specified in its charter)

| **Nevada** | **81-0592184** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| **31 Dingjiang Road, Jianggan District, Hangzhou, China** | **310016** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Issuer s telephone number **86-0571-85802712**

_____

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issues (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 13b-2 of the Exchange Act). Yes £ No S

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY**

**PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes £ No £

**APPLICABLE ONLY TO CORPORATE ISSUES**

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

As of May 12, 2006, there were 25,000,000 shares of $.001 par value common stock issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes £ No S

SEC2334(9-05)

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FORM 10-QSB

AIDA PHARMACEUTICALS, INC.

INDEX

(Inapplicable items have been omitted)



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## PART I FINANCIAL INFORMATION

**Item 1. Financial Statements (Unaudited)**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**NOTE This Amended 10-QSB reflects a correction of the par value from $.006 to $.001 in the Condensed Consolidated Balance Sheets. There are no additional changes.**

**AIDA PHARMACEUTICAL, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**ASSETS**

| | March 31, 2006 (Unaudited) | December 31, 2005 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 2,277,406 | $ 3,129,450 |
| Restricted cash | 1,768,886 | 1,903,487 |
| Accounts receivable, net of allowance for doubtful accounts of $386,688 and $386,688 as of March 31, 2006 and December 31, 2005, respectively | 8,949,963 | 9,390,137 |
| Notes receivable | 3,219,062 | 3,323,076 |
| Inventories | 4,355,390 | 3,348,592 |
| Due from related parties | 67,361 | 54,120 |
| Other receivables, prepaid expenses, and other assets | 403,831 | 449,672 |
| Due from employees | 705,698 | 497,486 |
| Prepayments for goods | 548,678 | 316,960 |
| Total current assets | 22,295,275 | 22,412,980 |
| Plant and equipment, net | 11,860,934 | 11,987,572 |
| Land use rights, net | 2,150,555 | 1,755,440 |
| Construction in progress | 867,762 | 856,776 |
| Patents, net | 1,965,819 | 1,788,014 |
| Due from employees | 587,548 | 616,440 |
| Long term investments | 218,605 | 218,605 |
| Deposits | 2,761,137 | 2,817,391 |
| Deferred taxes | 237,763 | 205,919 |
| **TOTAL ASSETS** | $ 42,945,398 | $ 42,659,137 |

See accompanying notes to condensed consolidated financial statements.

**AIDA PHARMACEUTICAL, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2006 (Unaudited) | December 31, 2005 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 3,300,560 | $ 1,622,449 |
| Other payables and accrued liabilities | 2,501,213 | 3,003,233 |
| Short-term debt | 18,757,785 | 21,450,710 |
| Due to related parties | 123,005 | 159,492 |
| Taxes payable | 72,012 | 38,722 |
| Customer deposits | 1,180,803 | 1,390,526 |
| Due to employees | 117,928 | 493,492 |
| Deferred taxes | 121,438 | 106,279 |
| Total current liabilities | 26,174,744 | 28,264,903 |
| **LONG-TERM LIABILITIES** | | |
| Long-term bank loans | 3,742,048 | 3,717,380 |
| Deferred taxes | 470,007 | 387,316 |
| Notes payable | 2,120,494 | - |
| Minority interests | 3,632,229 | 3,565,431 |
| Total long-term liabilities | 9,964,778 | 7,670,127 |
| **TOTAL LIABILITIES** | 36,139,522 | 35,935,030 |
| **SHAREHOLDERS EQUITY** | | |
| Common stock, $0.001 par value; 75,000,000 shares authorized; 25,000,000 and | | |
| 25,000,000 shares issued and outstanding at March 31, 2006 and December 31, | | |
| 2005, respectively | 25,000 | 25,000 |

| | | |
|---|---|---|
| Additional paid-in capital | 3,418,323 | 3,418,323 |
| Retained earnings (the restricted portion is $593,971 and $593,971 at March 31, 2006 and December 31, 2005, respectively) | 3,151,031 | 3,136,495 |
| Accumulated other comprehensive income | 211,522 | 144,289 |
| Total Shareholders Equity | 6,805,876 | 6,724,107 |
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY** | $ 42,945,398 | $ 42,659,137 |

See accompanying notes to condensed consolidated financial statements.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS**

**OF INCOME AND COMPREHENSIVE INCOME**

**(UNAUDITED)**

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|
| | **2006** | **2005** |
| **REVENUES** | $ 5,331,827 | $ 4,800,613 |
| **COST OF GOODS SOLD** | (2,983,114) | (1,435,860) |
| **GROSS PROFIT** | 2,348,713 | 3,364,753 |
| Selling and distribution | (1,680,669) | (1,542,479) |
| General and administrative | (647,210) | (546,684) |
| Research and development | (1,600) | (120,823) |
| **INCOME FROM OPERATIONS** | 19,234 | 1,154,767 |
| **OTHER INCOME (EXPENSES)** | | |
| Interest expense, net | (269,605) | (213,979) |
| Government grants | 459,993 | - |
| Gain on non-monetary transaction | - | 125,097 |
| Other (loss) income, net | (31,145) | 68,240 |
| **INCOME FROM OPERATIONS BEFORE INCOME TAXES** | 178,477 | 1,134,125 |

| | | |
|---|---|---|
| **INCOME TAX** | (97,143) | (11,402) |
| **INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS** | 81,334 | 1,122,723 |
| **MINORITY INTERESTS** | (66,798) | (375,997) |
| **INCOME FROM CONTINUING OPERATIONS** | 14,536 | 746,726 |
| **DISCONTINUED OPERATION** | | |
| Gain from disposition of discontinued operation | - | 26,068 |
| Income from discontinued operation | - | 161,341 |
| **GAIN FROM DISCONTINUED OPERATION** | - | 187,409 |
| **NET INCOME** | 14,536 | 934,135 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| Foreign currency translation gain (loss) | 67,233 | (2,296) |
| **OTHER COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES** | 67,233 | (2,296) |
| **INCOME TAXES RELATED TO OTHER COMPREHENSIVE INCOME** | (23,532) | - |
| **OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAXES** | 43,701 | (2,296) |
| **COMPREHENSIVE INCOME** | $ 58,237 | $ 931,839 |
| **WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED** | 25,000,000 | 23,375,000 |

See accompanying notes to condensed consolidated financial statements.

6

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS**

**OF INCOME AND COMPREHENSIVE INCOME**

**(UNAUDITED)**

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|
| | **2006** | **2005** |
| Income per common share from continuing operations, basic and diluted | $ 0.00 | $ 0.03 |
| Income per common share from gain from disposition of discontinued operations, basic and diluted | $ 0.00 | $ 0.01 |
| Income per common share from income from discontinued operations, basic and diluted | $ 0.00 | $ 0.00 |
| Net income per common share, basic and diluted | $ 0.00 | $ 0.04 |

See accompanying notes to condensed consolidated financial statements.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | **2006** | **2005** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 14,536 | $ 934,135 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 385,226 | 352,571 |
| Deferred taxes | 65,091 | (286,817) |
| Gain on nonmonetary transaction | - | (125,097) |
| Minority interests share of net income | 66,798 | 375,997 |
| Gain on disposal of discontinued operation | - | (26,068) |
| **Changes in operating assets and liabilities, net of effects of acquisition:** | | |
| **(Increase) Decrease In:** | | |
| Accounts receivable | 440,175 | 8,103 |
| Inventories | (1,006,797) | 950,319 |
| Other receivables, prepaid expenses, and other assets | 46,757 | 294,113 |
| Prepayments for goods | (230,718) | 484,545 |
| Discontinued operation | - | 423,351 |
| **Increase (Decrease) In:** | | |
| Accounts payable | 1,678,111 | (1,230,830) |
| Other payables and accrued liabilities | (502,025) | 2,810,937 |
| Due to employees | (375,564) | 54,813 |
| Taxes payable | 33,291 | 57,977 |

| | | |
|---|---|---|
| Customer deposits | (209,723) | 577,821 |
| Discontinued operation | - | 876,051 |
| Net cash provided by operating activities | 405,158 | 6,531,921 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Restricted cash | 134,601 | (2,667,432) |
| Purchases of plant and equipment | (201,395) | (175,886) |
| Purchases of construction in progress | (10,987) | - |
| Proceeds from disposal of discontinued operation, net of cash sold | - | 1,581,755 |
| Purchase of land use right | (393,117) | - |
| Deposit for long term investment | (124,211) | - |
| Deposit for fixed assets | (56,531) | - |
| Notes receivable | 104,014 | (354,775) |
| Due from related parties | (13,240) | - |
| Due from employees | (179,320) | (904,810) |
| Purchase of a subsidiary, net of cash acquired | - | (936,707) |
| Discontinued operation | - | 224,141 |
| Net cash used in investing activities | (740,186) | (3,233,714) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from short-term debt | (2,692,925) | (228,927) |
| Proceeds from/(repayments of) notes payable | 2,120,494 | (631,815) |
| Proceeds from related parties | - | 246,553 |
| Repayment to related parties | (36,486) | (1,348,910) |
| Discontinued operation | - | (1,666,084) |
| Net cash provided by financing activities | (608,917) | (3,629,183) |
| | | |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | (943,945) | (330,976) |

See accompanying notes to the condensed consolidated financial statements.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | **2006** | **2005** |
| Effect of exchange rate changes on cash | 91,901 | (2,296) |
| Cash and cash equivalents at beginning of period | 3,129,450 | 2,810,050 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 2,277,406 | $ 2,476,778 |
| **SUPPLEMENTARY CASH FLOW INFORMATION** | | |
| Income taxes paid | $ (6,296) | $ (912) |
| Interest paid | $ (261,327) | $ (203,689) |

**SUPPLEMENTAL NON-CASH DISCLOSURES:**

1. During the three months ended March 31, 2006, a liability of $639,230 was settled by transferring equipment with a net book value of

$514,133 resulting in a $125,097 gain.

2. During the three months ended March 31, 2006, $274,229 was transferred from deposits to patents.

3. On February 1, 2005, the Company purchased an additional 52% interest in Changzhou Fangyuan Pharmaceutical Co., Ltd. for

$3,232,542. Thereafter, Changzhou Fangyuan Pharmaceutical Co., Ltd. became a 66% owned subsidiary of the Company. The

following represents the assets purchased and liabilities assumed at the acquisition date:

| | | |
|---|---|---|
| Land use right, net | $ | 1,182,180 |
| Patents, net | | 1,868,534 |
| Construction in progress | | 856,776 |
| Deposits | | 1,603,483 |
| Plant and equipment, net | | 8,354,078 |
| Cash and cash equivalents | | 2,295,835 |
| Accounts receivable, net | | 1,038,479 |
| Inventories, net | | 467,223 |
| Other receivables and prepayments | | 122,748 |
| Prepayments for goods | | 380,554 |
| Due from related parties | | 1,917,521 |
| Total assets purchased | $ | 20,087,411 |
| | | |
| Short term bank loans | | (8,667,193) |
| Accounts payable | | (370,371) |
| Accrued expense | | (459,159) |
| Other payable and accrued liabilities | | (1,007,904) |
| Customer deposits | | (112,373) |
| Deferred taxes | | (216,278) |
| Long-term bank loans | | (3,717,380) |
| Total liabilities assumed | $ | (14,550,658) |
| | | |
| Total net assets | $ | 5,536,753 |
| | | |
| Share percentage | | 66% |
| | | |
| Net assets acquired | $ | 3,654,257 |
| | | |
| Total consideration paid (including the investments of | | |
| | | |
| $421,715 in prior years) | $ | 3,654,257 |

See accompanying notes to condensed consolidated financial statements.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**1.**

**ORGANIZATION AND PRINCIPAL ACTIVITIES**

Aida Pharmaceuticals, Inc. (Formerly BAS Consulting, Inc. ( BAS )) ( Aida or the "Company") was incorporated under the laws of the State of Nevada on December 18, 2002.

On December 8, 2005, the Company completed and closed the share exchange agreement dated as of June 1, 2005 by and among the Company, Earjoy and the shareholders of Earjoy. Pursuant to the agreement, the Company completed the following actions:

(1)

Effective November 30, 2005, the Company implemented a 1 for 6.433138 reverse stock split prior to the closing of the agreement so that the Company s 10,453,850 outstanding shares as of the date of the agreement then represent 1,625,000 shares of common stock;

(2)

The Company issued and delivered to the shareholders of Earjoy an aggregate of 23,375,000 shares of its post–reverse stock split common stock, representing 93.5% of all of the Company's issued and outstanding common stock, in exchange for 100% of the outstanding capital of Earjoy;

After the share exchange, Earjoy became a wholly–owned subsidiary of the Company.

On March 6, 2006, BAS Consulting, Inc. changed its name to Aida Pharmaceuticals, Inc.

Hangzhou Aida Pharmaceutical Co., Ltd. ("HAPC") is a wholly owned subsidiary of Earjoy. HAPC is the principal operating subsidiary of Earjoy. HAPC has been in operation since March 1999 and was established as a limited liability company under the laws of the People s Republic of China ( PRC ) on March 26, 1999. On December 23, 2004, Earjoy entered into a Share Purchase Agreement with Best Nation Investment Co., Ltd. for the acquisition by Earjoy of 100% of all interests in HAPC.

After the share exchange, HAPC became the principal operating subsidiary of the Company and is deemed to be the accounting acquirer and the exchange transaction has been accounted for as a reverse acquisition in accordance with SFAS No. 141, Business Combinations . The acquisition is accounted for as a recapitalization of HAPC since, at the date of acquisition, the prior consulting operations generated no revenue.

On February 1, 2005, the Company purchased an additional 52% interest in Changzhou Fangyuan Pharmaceutical Co., Ltd. for $3,232,542 in cash. Thereafter, Changzhou Fangyuan Pharmaceutical Co., Ltd. became a 66% owned subsidiary of the Company.

The primary operations of the Company and its subsidiaries are the development, production and distribution of cardiovascular and anti cancer drugs, in the form of powder for injection, liquid for intravenous injection, capsule, tablet, ointment, etc., within the PRC.

**2.**

**IS OF PRESENTATION**

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the requirements for reporting on Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the consolidated results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The condensed consolidated balance sheet information as of December 31, 2005 was derived from the audited consolidated financial statements included in the Company s Annual Report Form 10-KSB. These interim financial statements should be read in conjunction with that report.

Certain prior period amounts have been reclassified to conform to the current period s presentation.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**3.**

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Aida Pharmaceuticals, Inc. (Formerly BAS Consulting, Inc.) and the following subsidiaries:

(i)

Earjoy Group Limited ( Earjoy ) (100% subsidiary of Aida);

(ii)

Hangzhou Aida Pharmaceutical Co. Ltd. ( HAPC ) (100% subsidiary of Earjoy);

(iii)

Hangzhou Boda Medical Research and Development Co., ( Boda ) (100% subsidiary of HAPC);

(iv)

Hainan Aike Pharmaceutical Co., Ltd. ( Hainan ) (50% subsidiary of HAPC) and Yang Pu Aike Pharmaceutical Co., Ltd. ( Yangpu ) (95% subsidiary of Hainan). HAPC exercises significant influence over Hainan by controlling over 50% of the voting rights;

(v)

Changzhou Fangyuan Pharmaceutical Co., Ltd ( Fangyuan ) (66% subsidiary of HAPC).

All significant inter-company accounts and transactions have been eliminated in consolidation.

**4.**

**CONCENTRATIONS**

The Company has four major customers who accounted for the following percentage of total sales and total accounts receivable in 2006 and 2005:

| | Sales | | Accounts Receivable | |
|---|---|---|---|---|
| Major Customers | For the Three Months Ended March 31, 2006 | For the Three Months Ended March 31, 2005 | March 31, 2006 | December 31, 2005 |
| Company A | 2% | 1% | 3% | 4% |
| Company B | 10% | 3% | 3% | 11% |
| Company C | 10% | 1% | 11% | 4% |
| Company D | 21% | 12% | 7% | 7% |

The Company has two major suppliers who accounted for the following percentage of total purchase and total accounts payable in 2006 and 2005:

| | Purchase | | Accounts Payable | |
|---|---|---|---|---|
| Major Suppliers | For the Three Months Ended March 31, 2006 | For the Three Months Ended March 31, 2005 | March 31, 2006 | December 31, 2005 |
| Company E | 12% | 12% | 12% | 11% |
| Company F | 8% | 7% | 3% | 4% |

The sole market of the Company is the PRC for the period ended Mar 31, 2006.

Of the total revenue for the three months ended March 31, 2006, 47% was fully dependent on the patent for Etimicin Sulfate owned by the Company. The net book value of the patent is $111,229 at March 31, 2006.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**5.**

**USE OF ESTIMATES**

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ materially from those estimates.

**6.**

**FOREIGN CURRENCY TRANSLATION**

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of the Company is the Renminbi (RMB). The consolidated financial statements are translated into United States dollars from RMB at year-end exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

| | **March 31, 2006** | **December 31, 2005** |
|---|---|---|

| | | |
|---|---|---|
| Period end RMB: US$ exchange rate | 8.0170 | 8.0702 |
| Average yearly RMB: US$ exchange rate | 8.0436 | 8.1734 |

**7.**

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company s financial instruments include cash and cash equivalents, restricted cash, accounts receivable, notes receivable, due to/from related parties, other receivables and prepaid expenses, due from/to employees, prepayments for goods, accounts payable, other payables and accrued liabilities, short-term debts, taxes payable and customer deposits. Management has estimated that the carrying amount approximates fair value due to their short-term nature.

**8.**

**EARNINGS PER SHARE**

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**9.**

**NOTES RECEIVABLE**

Notes receivable at March 31, 2006 and December 31, 2005 consist of the following:

Bank acceptance notes :

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| Due February 4, 2006 | $ | - | $ | 8,674 |
| Due February 15, 2006 | | - | | 136,864 |
| Due March 11, 2006 | | - | | 6,196 |
| Due April 13, 2006 | | - | | 49,566 |
| Subtotal | $ | - | $ | 201,300 |

Notes receivable from related companies:

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| Due November 11, 2006 | $ | 374,205 | $ | 371,738 |
| Due November 30, 2006 | | 62,367 | | 61,956 |
| Due December 2, 2006 | | 124,735 | | 123,913 |
| Due October 14, 2006 | | 343,528 | | 319,951 |
| Subtotal | $ | 904,835 | $ | 877,558 |

Notes receivable from unrelated companies:

| | March 31, 2006 (Unaudited) | December 31, 2005 |
|---|---|---|
| Due May 20, 2006 | $ 124,735 | $ 123,913 |
| Due December 1, 2006 | 1,167,966 | 1,160,265 |
| Due December 31, 2006 | 1,021,526 | 960,040 |
| Subtotal | 2,314,227 | 2,244,218 |
| Total | $ 3,219,062 | $ 3,323,076 |

Notes receivable are interest-free and unsecured.

**10.**

**INVENTORIES**

Inventories at March 31, 2006 and December 31, 2005 consist of the following:

| | March 31, 2006 (Unaudited) | December 31, 2005 |
|---|---|---|
| Raw materials | $ 1,028,342 | $ 735,017 |
| Work-in-progress | 672,403 | 357,220 |
| Finished goods | 2,530,257 | 1,788,025 |
| Processing materials | 124,388 | 468,330 |
| | $ 4,355,390 | $ 3,348,592 |

13

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**11.**

**DUE TO/FROM RELATED PARTIES**

(I)

Due From Related Parties

| | | March 31, 2006 (Unaudited) | | December 31, 2005 |
|---|---|---|---|---|
| Current: | | | | |
| Ningbo Tianheng Pharmaceuticals Co., Ltd. | $ | 12,473 | $ | 12,391 |
| Zhejiang Guobang Veterinary Drug Co., Ltd. | | 54,888 | | 41,729 |
| Total due from related parties | $ | 67,361 | $ | 54,120 |

(II)

Due To Related Parties

| | | March 31, 2006 (Unaudited) | | December 31, 2005 |
|---|---|---|---|---|
| Merlin Green Canada Inc. | $ | 26,360 | $ | 136,593 |
| Jin ou Group | | 23,051 | | 22,899 |
| Zhejiang Guobang Veterinary Drug Co., Ltd. | | 73,594 | | - |

| | | | | |
|---|---|---|---|---|
| Total due to related parties | $ | 123,005 | $ | 159,492 |

(III)

Due From Employees

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| Current | $ | 705,698 | $ | 497,486 |
| Long-term | | 587,548 | | 616,440 |
| Total due from employees | $ | 1,293,246 | $ | 1,113,926 |

(IV)

Due To Employees

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| Current | $ | 117,928 | $ | 493,492 |
| Total due to employees | $ | 117,928 | $ | 493,492 |

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**12.**

**BUSINESS COMBINATION**

On February 1, 2005, HAPC signed a purchase agreement with Jiangsu Sunshine Group Inc. to purchase an additional 52% interest in Changzhou Fangyuan Pharmaceutical Co., Ltd. for $3,232,542, and the acquisition was completed on February 1, 2005. The acquisition date for accounting purposes was February 1, 2005. Thereafter, Changzhou Fangyuan Pharmaceutical Co., Ltd. became a 66% owned subsidiary of the HAPC and the financial results of Changzhou Fangyuan Pharmaceutical Co., Ltd. have been consolidated in the accompanying consolidated financial statements of the Company.

The following summarizes the acquisition:

| | | |
|---|---|---|
| Total consideration paid (including previous investment) | $ | 3,654,257 |
| Fair value of assets acquired | | (18,309,680) |
| Fair value of liabilities assumed | | 9,603,434 |
| Negative goodwill | | (5,051,989) |
| | | |
| Negative goodwill applied to a patent | | 5,051,989 |
| Total | $ | 5,051,989 |

The following is the pro forma net income and basic and diluted net income per share of the Company for the three months ended March 31, 2005 assuming the acquisition was completed on January 1, 2005:

| | | |
|---|---|---|
| Net income | $ | 932,110 |

| | | |
|---|---|---|
| Net income per share, basic and diluted | $ | 0.04 |

**13.**

**PLANT AND EQUIPMENT**

Plant and equipment consist of the following as of March 31, 2006 and December 31, 2005:

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| At cost: | | | | |
| Buildings | $ | 7,005,014 | $ | 6,944,082 |
| Machinery | | 7,947,663 | | 7,832,139 |
| Motor vehicles | | 611,682 | | 607,649 |
| Office equipment | | 591,697 | | 573,220 |
| Leasehold improvements | | 368,453 | | 366,024 |
| | | 16,524,509 | | 16,323,114 |
| Less: Accumulated depreciation | | | | |
| Buildings | | 1,146,174 | | 1,089,490 |
| Machinery | | 2,787,383 | | 2,582,907 |
| Motor vehicles | | 355,267 | | 332,125 |
| Office equipment | | 320,299 | | 293,561 |
| Leasehold improvements | | 54,452 | | 37,459 |
| | | 4,663,575 | | 4,335,542 |
| Plant and equipment, net | $ | 11,860,934 | $ | 11,987,572 |

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**13.**

**PLANT AND EQUIPMENT (CONTINUED)**

Depreciation and amortization expense for the three months ended March 31, 2006 and 2005 is $328,033 and $306,623, respectively.

**14.**

**LAND USE RIGHTS**

| | | March 31, 2006 (Unaudited) | | December 31, 2005 |
|---|---|---|---|---|
| Cost | $ | 2,301,792 | $ | 1,896,092 |
| Less: Accumulated amortization | | 151,237 | | 140,652 |
| Land use rights, net | $ | 2,150,555 | $ | 1,755,440 |

Amortization expense for the three months ended March 31, 2006 and 2005 is $9,620, and $9,237 respectively.

Amortization expense for the next five years and thereafter is as follows:

| | | |
|---|---|---|
| 2006 within one year | $ | 35,522 |
| 2007 | | 47,362 |
| 2008 | | 47,362 |
| 2009 | | 47,362 |
| 2010 | | 47,362 |
| Thereafter | | 1,925,585 |
| Total | $ | 2,150,555 |

The net book value of the land use right pledged for certain bank loans at March 31, 2006 and December 31, 2005 is $594,535 and $596,990, respectively.

**15.**

**PATENT**

| | | **March 31, 2006 (Unaudited)** | | **December 31, 2005** |
|---|---|---|---|---|
| Cost | $ | 2,468,307 | $ | 2,194,078 |
| Less: Accumulated amortization | | 502,488 | | 406,064 |
| Patents, net | $ | 1,965,819 | $ | 1,788,014 |

In February 2005, the Company acquired a patent valued at $1,868,534 in connection with the acquisition of Changzhou Fangyuan Pharmaceutical Co., Ltd. Amortization expense for the three months ended March 31, 2006 and 2005 is $47,573 and $36,711, respectively.

16

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**15.**

**PATENT (CONTINUED)**

Amortization expense for the next five years and thereafter is as follows:

| | | |
|---|---|---|
| 2006 within one year | $ | 331,104 |
| 2007 | | 331,104 |
| 2008 | | 275,830 |
| 2009 | | 275,606 |
| 2010 | | 225,712 |
| Thereafter | | 526,463 |
| Total | $ | 1,965,819 |

**16.**

**DEPOSITS**

Deposits at March 31, 2006 and December 31, 2005 consist of the following:

| | **March 31, 2006** | **December 31,** |
|---|---|---|

| | | (Unaudited) | | 2005 |
|---|---|---|---|---|
| Deposits for patent | $ | 623,051 | $ | 910,138 |
| Deposits for plant and equipment | | 1,106,827 | | 1,003,930 |
| Deposits for land use right | | 341,999 | | 341,999 |
| Deposits for acquisition | | 689,260 | | 561,324 |
| Total | $ | 2,761,137 | $ | 2,817,391 |

On March 31, 2006, the HAPC entered into a share purchase agreement with Zhejiang Medical Group Inc. to purchase an additional 45% of the outstanding shares of Shanghai Qiaer Bio-Technology Co., Ltd., a company engaged in the research, development and sales of pharmaceutical products and related services, for $495,650, $127,936 of which was paid on March 31, 2006. Previously, HAPC paid $561,324 as deposit to purchase 55% of the outstanding shares of Shanghai Qiaer Bio-Technology Co., Ltd. When the transfer is closed, Shanghai Qiaer Bio-technology Co., Ltd. will become a 100% owned subsidiary of the Company. The share transfer is expected to be closed in the second quarter of 2006.

**17.**

**LONG-TERM INVESTMENTS**

Long-term investments as of March 31, 2006 and December 31, 2005 consist of the following:

| | Ownership Interest | March 31, 2006 (Unaudited) | Ownership Interest | December 31, 2005 |
|---|---|---|---|---|
| At cost: | | | | |
| Hangzhou Longde Medical Machinery Co., Ltd. | 10.6% | $ 97,790 | 10.6% | $ 97,790 |
| Zhejiang Anglikang Pharmaceutical Co., Ltd. | 4.25% | 120,815 | 4.25% | 120,815 |
| | | $ 218,605 | | $ 218,605 |

17

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**18.**

**SHORT-TERM DEBT**

Short-term debts as of March 31, 2006 and December 31, 2005 consist of the following:

| | March 31, 2006 (Unaudited) | December 31, 2005 |
|---|---|---|
| Loan from Industrial and Commercial Bank of China Qingchun Branch, due July 24, 2006, monthly interest only payments at 5.115% per annum, secured by assets owned by the Company. | $ 743,476 | $ 743,476 |
| Loan from Industrial and Commercial Bank of China Qingchun Branch, due August 1, 2006, monthly interest only payments at 5.115% per annum, secured by assets owned by the Company. | 867,389 | 867,389 |
| Loan from Industrial and Commercial Bank of China Qingchun Branch, due August 8, 2006, monthly interest only payments at 5.115% per annum, secured by assets owned by the Company. | 774,454 | 774,454 |
| Loan from Industrial and Commercial Bank of China Qingchun Branch, due August 21, 2006, monthly interest only payments at 5.115% per annum, secured by assets owned by the Company. | 623,675 | 619,563 |
| Loan from Hangzhou Commercial Bank Gaoxin Branch due April 25, 2006, monthly interest only payments at 5.115% per annum, guaranteed by Hangzhou Jinou Group and Xinchang Guobang Chemicals Co., Ltd.. (subsequently repaid on its due date) | 1,239,127 | 1,239,127 |

| | | |
|---|---|---|
| Loan from Bank of China Kaiyuan Branch due April 17, 2006, monthly interest only payments at 5.58% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd. And Qiu Jiajun & Jin Biao (subsequently repaid on its due date) | 1,239,127 | 1,239,127 |

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**18.**

**SHORT-TERM DEBT (CONTINUED)**

| | | |
|---|---|---|
| Loan from Industrial Bank due September 26, 2006, monthly interest only payments at 5.115% per annum, respectively, guaranteed by Jin ou Group | 1,239,127 | 1,239,127 |
| Loan from Industrial and Commercial Bank of China, due April 10, 2006 monthly interest only payments at 4.575% per annum, secured by assets owned by the Company. (subsequently repaid on its due date) | 1,115,214 | 1,115,214 |
| Loan from China Development Bank Haikou Branch, due November 24, 2006, monthly interest only payments at 5.115% per annum, guaranteed by Haikou Assure Investment Ltd. | 347,259 | 371,738 |
| Loan from China Citic Bank Hangzhou Branch, due January 1, 2006, monthly interest only payments at 4.785% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd. (subsequently repaid on its due date) | - | 619,563 |
| Loan from Changzhou Commercial Bank, due February 15, 2006, monthly interest only payments at 6.51% per annum, guaranteed by Changzhou High-tech Development Co. Ltd. (subsequently repaid on its due date) | - | 619,563 |
| Loan from Huaxia Bank Wenhui Branch due March 16, 2006, monthly interest only payments at 4.8825% per annum, guaranteed by Xinchang Guobang | | |

| | | |
|---|---|---|
| Chemicals Co., Ltd. and Ningbo Tianheng Pharm. Co. Ltd. (subsequently repaid on its due date) | - | 743,476 |
| Loan from China Citic Bank Hangzhou Branch, due January 22, 2006, monthly interest only payments at 4.785% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd. (subsequently repaid on its due date) | - | 495,651 |
| Loans from Changzhou Commercial Bank, due April 15, 2006 and January 21, 2006, respectively, monthly interest only payments at 6.975% per annum, guaranteed by Changzhou High-tech Development Co. Ltd. | 3,118,373 | 3,097,817 |
| Total short-term bank loans | 11,307,221 | 13,785,285 |

| Notes payable to unrelated companies: | **March 31, 2006 (Unaudited)** | **December 31, 2005** |
|---|---|---|
| Due January 4, 2006 | - | 146,261 |
| Due April 5, 2006 | 311,837 | 309,781 |
| Due April 20, 2006 | 311,837 | 309,781 |
| Due April 29, 2006 | 748,410 | 743,476 |
| Due May 1, 2006 | 1,247,349 | 1,239,127 |
| Due May 9, 2006 | 147,332 | 146,361 |
| Due May 25, 2006 | 1,247,349 | 1,239,127 |
| Due August 31, 2006 | 1,372,085 | 1,363,039 |
| Due November 30, 2006 | 2,064,365 | 2,168,472 |
| Total notes payable | 7,450,564 | 7,665,425 |
| Total short-term debt | $ 18,757,785 | $ 21,450,710 |

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**19.**

**NOTES PAYABLE**

Notes payable to unrelated companies at March 31, 2006 consist of the following:

| | | **March 31, 2006** |
|---|---|---|
| | | **(Unaudited)** |
| Due February 20, 2009, at 1% per annum, unsecured | $ | 1,247,349 |
| Due December 31, 2009, monthly interest only payments at 6.03% per annum, guaranteed by Changzhou Donghong Bio-Pharmaceutical Technology Co., Ltd. | | 873,145 |
| Total | $ | 2,120,494 |

Interest expense of $14,487 was recognized for the three months ended March 31, 2006.

**20.**

**DISCONTINUED OPERATION**

On April 1, 2005, HAPC entered into a disposition agreement with Zhejiang Guobang Veterinary Drug Co., Ltd., a company controlled by the director of the Company. Pursuant to the agreement HAPC agreed to sell all of its interest in the branch in Shangyu, PRC to Zhejiang Guobang Veterinary Drug Co., Ltd. for $1,603,533 resulting in a gain of $26,068. In association with the agreement, the branch in Shangyu, PRC was no longer a consolidated subsidiary of the HAPC. In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long–Lived Assets," the results of operations of the branch in Shangyu are removed from the detail line items in the company s financial statements and presented separately as discontinued operation . The income from discontinued operation of $0 and $161,341 for the three months ended March 31, 2006 and 2005, respectively, and the gain from disposition of discontinued operation of $26,068 in 2005 are reflected in the Company s condensed consolidated statements of income for the three months ended March 31, 2006 and 2005, respectively.

The condensed income statements for the three months ended March 31, 2005 of the branch in Shangyu are as follows:

| | | **For the Three Months Ended March 31, 2005** |
|---|---|---|
| | | **(Unaudited)** |
| Revenue | $ | 3,776,980 |
| Cost of goods sold | | (3,544,336) |
| Gross profit | | 232,644 |
| Selling and distribution | | (37,254) |
| General and administrative | | (26,679) |
| Interest expense | | (7,370) |
| Income tax expense | | - |
| Net income | $ | 161,341 |

**AIDA PHARMACEUTICALS, INC.**

**(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

**(UNAUDITED)**

**20.**

**DISCONTINUED OPERATION (CONTINUED)**

Net assets of the discontinued operation at March 31, 2005 are as follows:

| | | **March 31, 2005 (date of disposal)** |
|---|---|---|
| | | **(Unaudited)** |
| Cash and cash equivalents | $ | 21,778 |
| Other current assets | | 3,601,410 |
| Non-current assets | | 1,245,583 |
| Current liabilities | | (4,668,677) |
| Total net assets of the discontinued operation | $ | 200,094 |

**21.**

**COMMITMENTS AND CONTINGENCIES**

The Company occupies plant and office space leased from third parties. Accordingly, for the three months ended March 31, 2006 and 2005, the Company recognized rental expense for these spaces of $84,539 and $26,045 respectively.

As of March 31, 2006, the Company has outstanding commitments with respect to non-cancelable operating leases for real estate, which fall due as follows:

| Period Ending March 31 | | **Amount** |
|---|---|---|
| 2006 | | 89,723 |
| 2007 | | 69,854 |
| 2008 | | 69,854 |
| 2009 | | 69,854 |
| 2010 | | 69,854 |
| Thereafter | | 110,601 |
| Total | $ | 479,740 |

As of March 31, 2006, the Company has outstanding commitments with respect to non-cancelable patent and land use right transfer, which fall due as follows:

| Period Ending March, 31, | | **Amount** |
|---|---|---|
| 2006 | $ | 979,201 |

**22.**

**LEGAL PROCEEDING**

In December of 2005, the Company brought a legal action against Hainan Haomai Pharmaceutical Co., Ltd for its infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately $60,000 for the infringement. A judgement is expected in the near future. The Company did not record a gain for this action for the period ended March 31, 2006.

**Item 2. Management s Discussion and Analysis or Plan of Operation.**

**FORWARD-LOOKING STATEMENTS**

We have included forward-looking statements in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward looking statements. Without limiting the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "estimate", "plan" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, overall economic and business conditions, demand for the Company's products, competitive factors in the industries in which we compete or intend to compete, natural gas availability and cost and timing, impact and other uncertainties of our future acquisition plans.

**GENERAL**

Aida Pharmaceuticals Inc. (formerly known as BAS Consulting, Inc.) (the Company ) was incorporated in the State of Nevada on December 18, 2002 (inception). The Company attempted to operate as a consulting firm and was not successful. The Company then began to seek an acquisition candidate and on December 8, 2005, we completed and closed the Share Exchange Agreement (the Agreement ) dated as of June 1, 2005 by and among BAS Consulting, Inc., Earjoy Group Limited, a British Virgin Islands international business company ( Earjoy ), and the shareholders of Earjoy (the Earjoy Shareholders ). A copy of the Agreement was previously filed as an Exhibit to our Current Report on Form 8-K dated June 1, 2005 as filed with the Securities and Exchange Commission (the SEC ) on June 15, 2005.

The Company amended its Articles of Incorporation to change the name of the Company to Aida Pharmaceuticals, Inc. The amended articles were filed with the State of Nevada on February 24, 2006 and the name change became effective on March 6, 2006. The action was approved by the shareholders and directors of the Company on January 9, 2006. An Information Statement describing the name change was filed with the Securities and Exchange Commission and mailed to all shareholders of record on January 19, 2006.

As a result of the acquisition, we now operate the business of AIDA Pharmaceuticals, Inc.

**OUR BUSINESS**

AIDA Pharmaceuticals, Inc. has the following subsidiaries:

a)

Earjoy Group Limited, ( Earjoy )

b)

Hangzhou Aida Pharmaceutical Co., Ltd ( Hangzhou Aida );

c)

Hangzhou Boda Medical Research and Development Co., Ltd. ( Boda );

d)

Hainan Aike Pharmaceutical Co., Ltd. ( Aike ) and;

e)

Changzhou Fangyuan Pharmaceutical Co., Ltd. ( Fangyuan )

Earjoy is an investment holding company.

Hangzhou Aida has been in operation since March 1999 and was established as a limited liability company under the laws of the People s Republic of China ( PRC ) on March 26, 1999. On December 23, 2004, Earjoy entered into a Share Purchase Agreement with Best Nation Investment Co., Ltd. for the acquisition by Earjoy of 100% of all interests in Hangzhou Aida.

Hangzhou Aida is a fully integrated pharmaceutical company engaged in the development, manufacture, marketing, licensing, and distribution of pharmaceutical products primarily in Mainland China. Aida (including its subsidiaries) has a total of nine production lines for the manufacturing of antibiotics, cardiovascular and anti-tumor drugs in various forms, including injectable powder, injectable liquid, capsules, tablets and ointments. All of them have been certified according to the Good Manufacturing Practices ("GMP") guidelines issued by the State Food and Drug Administration of the People's Republic of China. Hangzhou Aida sells its Category-A antibiotic Etimicin , cardiovascular and anti-tumor products under the trademark Aida. , Aiyi and Chuangcheng . All these products are prescription drugs that are sold mainly to the hospitals in Mainland China.

Hangzhou Aida s strategy is to control all facets of its research and development efforts, including formulation development, clinical studies, regulatory submissions and manufacturing. In addition, the company markets its own branded products directly to health care professionals through its Mainland China sales operations. A key element of Hangzhou Aida s business is the development, manufacture and sale of branded pharmaceutical products that incorporate Hangzhou Aida s expertise in research and development and exclusive relationships with raw material suppliers, which provide significant therapeutic advantages over existing competing formulations.

Hangzhou Aida will also work to develop synergistic marketing partnerships in China and around the world in areas such as technology licensing, clinical research, product development, in-licensing and out-licensing of products, co-development and co-marketing agreements.

The headquarters of Hangzhou Aida is located in Hangzhou specializes in the production of Etimicin powder.

Boda is a wholly owned subsidiary of Hangzhou Aida and engages itself in the research and development of new drugs.

Aike is a 50% owned subsidiary of Hangzhou Aida. Hangzhou Aida exercise significant influence over Aike by controlling over 50% of the voting rights and Aike owns 95% of Yangpu Aike Pharmaceutical Co., Ltd. ( Yangpu ). Both Aike and Yangpu specialize in the production of transfusion type of Etimicin.

On February 1, 2005, Hangzhou Aida acquired an additional 52% equity interest in Fangyuan, and Fangyuan became a 66% owned subsidiary as a consequence. Fangyuan is sole supplier of the raw material of Etimicin and is also a major producer of the liquid type of Etimicin.

The Company is capable of producing all types of Etimicin namely, powder, liquid and transfusion and thus have achieved a significant influence in the industry. Its influence is further enhanced by the acquisition of Fangyuan, which is the sole supplier of the raw material of Etimicin. This is a significant and unique advantage of the Company.

On March 31, 2006, the Hangzhou entered into a share purchase agreement with Zhejiang Medical Group Inc. to purchase an additional 45% of the outstanding shares of Shanghai Qiaer Bio-Technology Co., Ltd., a company engaged in the research, development and sales of pharmaceutical products and related services, for $495,650. Previously, Hangzhou paid $561,324 as deposit to purchase 55% of the outstanding shares of Shanghai Qiaer Bio-Technology Co., Ltd. When the transfer is closed, Shanghai Qiaer Bio-technology Co., Ltd. will become a 100% owned subsidiary of the Company. The share transfer is expected to be closed in the second quarter of 2006.

**Products**

The table below illustrates the major products produced and marketed by Aida:

| Product | Produced By | Specification | Standard/Category |
|---|---|---|---|
| Etimicin Sulfate Injection Powder | Aida | 50mg, 100mg, 150mg | National Category-A |
| Etimicin Sulfate Injection liquid | Fangyuan | 1ml, 2ml | National Category-A |
| Etimicin Sulfate for transfusion | Aike | 100ml(with 100mg/200mg) | National Category-D |

**Etimicin Sulfate** is the first antibiotic developed in China. It is a new generation of the amino glycoside family of antibiotics. Aida has the exclusive right to the production of this powder for injection and transfusion type and Aida s subsidiary, Fangyuan, is one of the two producers who exclusively produce the liquid for injection. The patent is protected through 2013. It also has patent certificates from six foreign countries, including USA, Russia and United Kingdom. Etimicin sulfate is suitable for the treatment of various inflammations, such as:

(i)

respiratory infection, such as acute bronchitis, acute onset of chronic bronchitis and pulmonary infections;

(ii)

kidney and urinogenital infection, such as acute pyelonephritis or acute onset of chronic cystitis;

(iii)

soft skin tissue infection; and

(iv)

trauma and operations (before and after) preventive uses.

In 2005, with the acquisition of Fangyuan, the Company has occupied more than 75% of the total market share of Etimicin in Mainland China. The Company is capable to produce a full series of Etimicin, namely, powder, transfusion and liquid. Emphasis will be placed to develop new products for the market.

**Products Under Development**

Major new products under developments by Aida include:

Ø

**5-Deoxy-Fluorordine.** Aida has developed a new liquid for injection type of drug generated from 5-fluroruacil that has displayed better anticancer results and fewer side effects. This new product has been under clinical testing since 1998. Test results showed that it has only nominal side effects, a broad spectrum and is highly effective. The Company has applied for production approval of 5-deoxy-fluororidine for injection from State Food and Drug Administration in the PRC. This new drug will have a 6-year protection period once the approval is obtained.

Ø

**Apoptotic Factor (rh-Apo2l).** Rh-Apo2l is being evaluated in a Phase I trial as a potential cancer therapeutic. The Phase I clinical trials are expected to be completed at the end of April 2006. Shanghai Qiaer Bio-Technology, which is acquired by Hangzhou Aida, has applied for three patents from the Chinese government authority. One patent has been granted and the other two are currently in process. We plans to complete the second and third stage clinical trials in the second half of 2007 and get production approval in the second half of 2008.

Ø

**Methylcanthatidinimide For Injection.** It is another new drug being developed by Fangyuan used for cancer treatment. It will be a Category B new drug. The clinical tests are expected to be completed by the first half of 2008 and the production is expected to begin by the end of 2009.

Ø

**SYO2.** Hangzhou Aida has created one medicine extracted from herbal essence, called SYO2 that has exhibited bioactivity for brain anti-thrombosis. The drug, developed solely by an aligned research center of Hangzhou Aida, has shown to be safe, effective and without side effects. It is believed that stroke patients treated by SYO2 would be fully recovered after administration of the drug. Aida has completed SYO2 s pharmacological study and has applied for a patent. The Company plans to apply for clinical tests within the next 18 months. Hangzhou Aida intends to apply for production approval by the end of 2010.

Aida is optimistic about the market potential of its products for the following reasons:

Ø

The demand for international quality drugs by the Chinese populace has historically increased as per capita income and the standard of living increase continually;

Ø

The sale of Hangzhou Aida s Etimicin sulfate is estimated to grow continuously for the next three years after several years of market development;

Ø

Aida is now planning to build up international business relationship with global players gradually in future. The international markets should increase the sales growth;

Ø

Aida has achieved a monopoly status in this industry, with all types of Etimicin products and from the material chain to the final product chain. This is a significant and unique advantage of Aida and

The Company is readying for the production of several new drugs, which should boost the sales growth of Aida per annum.

**Industry Regulation**

Chinese drug legislation, enacted in 1985, requires that new drugs be approved by the national drug regulatory authority before they can be marketed in China. Since enactment of this legislation, China has significantly improved its regulatory review process for new drugs. During the same time period, the pharmaceutical industry in China has shown considerable expansion. With China s membership in the World Trade Organization, the Chinese pharmaceutical industry is experiencing change and will continue to do so. The new Drug Registration Regulation, which is compatible with the World Trade Organization agreement, went into effect on December 1, 2002.

**Good Manufacturing Practices (GMP)**

GMP guidelines define standards for the pharmaceutical manufacturing process to reduce the possibility of contamination errors.

The World Health Organization (WHO) initiated the GMP system in the 1960s, and China adopted it in the early 1980s. The Chinese government issued its own GMP standards in 1988, followed by two sets of revisions, the most recent in 1999. Under new GMP management guidelines, pharmaceutical producers must set up special administrative offices to supervise production and product quality. Administrative personnel must be pharmaceutical professions with prior experience, and technicians responsible for quality testing must receive professional training.

State Food and Drug Administration issued the Quality Control Convention in Drug Production in September 1999. This convention provides guidelines for various kinds of drug manufacture in keeping with GMP standards. It states provisions concerning drug verification and authentication, including facility and equipment installation, operation, property and products. GMP certification for powder injections, large capacity injections and genetically engineered products were completed in 2000.

Difficulty in GMP enforcement has allowed inefficient production and substandard quality to persist in the majority of pharmaceutical factories, despite the government s regulations. Fund shortages, rigid operation mechanisms and ideological resistance among some producers have contributed to the continuing problem, although local governments are working to initiate change. In Hangzhou, the capital of Zhejiang Province and the location of Aida s headquarters, the municipal Drug Supervision and Management Bureau have aided 18 of the city s 77 pharmaceutical manufacturers to reach GMP standards.

A shortage of qualified personnel in China s pharmaceutical enterprises further delays national GMP implementation. Substandard companies find a lack of senior managers who are aware of GMP, as well as difficulty in finding well-trained GMP inspectors that are able to give a fair, objective and accurate appraisal of GMP results. Augmenting the problem, companies have discovered some ambiguity in their interpretations of GMP standards issued by the Chinese Ministry of Public Health. The government has undertaken the process of educating these companies, leading to a slight rise in production and quality control levels.

**Research and Development**

Aida will undertake its R&D efforts through in-house organizations as well as through alliances and cooperation with other R&D laboratories, institutions and universities. Such an approach would ensure lower cost, minimized risk, increased efficiency, and faster reaction to the market.

Aida has also established long-term cooperation with several top research institutions and universities in China, including Tianjin University, China Pharmaceutical University, Southern China Agricultural University, for the development of new pharmaceuticals. Aida has entered into agreements with these universities and institutions that grant it the right of first refusal to acquire new products developed at the facilities.

Aida is presently contemplating entering R&D joint ventures with international institutions for the purpose of further strengthening its R&D capability

**Manufacturing**

Aida s existing main production facilities are located in three places. One is in Hangzhou in the Zhejiang Province, the second is in Changzhou in the Jiangsu Province and the third is in Haikou in the Hainan Province.

The raw materials base and supplies for manufacturing at the plant are acquired from domestic suppliers. The main purchases include: packaging materials, chemicals and intermediates, some of which are controlled under long-term contracts. Aida has never experienced any difficulty in obtaining the raw materials base and/or supplies required for production. There are many domestic suppliers for the required materials except the raw materials base for Etimicin sulfate.

There are only two suppliers for etimicin sulfate base, namely, Changzhou Fangyuan Pharmaceutical Co., Ltd. in Changzhou, Jiangsu Province and Shanhe Pharmaceuticals Co., Ltd. ( Shanhe ) in Wuxi, Jiangsu Province. Aida acquired control of Fangyuan so it is confident that the raw material supply base required for producing etimicin sulfate is ensured.

All of Aida s nine production lines for manufacturing have obtained GMP accreditation from State Food and Drug Administration. The Quality Assurance Department of Aida has instituted a complete quality assurance system under which employees of the Company are continuously trained and re-trained for maintaining overall GMP standards as well as product quality excellence. Aida has never experienced any significant return of purchased products and has gained consistent customer praise.

In the area of cost control, Aida has implemented policies and procedures to monitor:

a)

adequacy of raw materials, supplies and packaging materials;

b)

efficiency each individual production process; and

c)

physical conditions of equipment, parts and consumables.

Cost targets are established and executed based on these policies and procedures.

As an ISO14000 certified pharmaceuticals manufacturer, Aida is extremely attentive to protecting the environment by taking active measures in accordance with the environmental protection requirement. None of the Company s manufacturing plants has been cited for violating any local and/or national environmental protection regulations.

Solid waste from Aida s plants is washed with clean water prior to disposal. The used water and wastewater are sent to the wastewater treatment plant via a special pipeline. A minor amount of generated coal ash and slag are treated and noise is abated in accordance with current regulations. Solid waste from Aida s plants is washed with clean water prior to disposal. The used water and wastewater are sent to the wastewater treatment plant via a special pipeline. A minor amount of generated coal ash and slag are treated and noise is abated in accordance with current regulations.

**Intellectual Property and Trademarks**

Aida s pharmaceutical products have all necessary manufacturing licenses issued by the national regulatory agencies. Etimicin sulfate, a Category-A drug, is protected by patent until 2013 [License No. Guoyaozhunzi 1999(X)-10-2(1) and No. Guoyaozhunzi 1999(X)-10-2(2)]. Aida markets its pharmaceutical products under the trademark Aida, Aiyi , Chuangcheng , Pannuo, Chuangcheng etc. These trademarks are all duly registered and have individual barcod against forgery.

**Competition**

Price, quality, and promotion are the three most competitive factors in the pharmaceutical sector in China.

**Price:** There are currently approximately 1,400 drugs listed on the National Essential Drugs List. This list functions as a guideline for the local, provincial, and metropolitan lists, which govern actual reimbursement. Technically, these local lists can only deviate from the national list by 10%. In practice, however, local protectionism is often seen. Price and efficacy are the only stated criteria for inclusion (or removal) from the lists. In reality, relationships between an individual company and the Chinese government authorities overseeing the system play a very important role. Marketing outside of these lists, price will effectively determine the targeted market segment.

**Quality:** Western medications are often seen as superior in almost all categories. Aida s product, Etimicin competes in this market segment with the imported Netilmicin and other antibiotics.

**Promotion:** The Chinese government has worked very hard to reign in unethical marketing practices in the healthcare sector.

**Customers**

Aida divides the domestic market into two large regions, namely, Northern Region and Southern Region using by Yangtze River as the demarcation. Special emphasis is given to markets in Eastern China and the Coastal Regions, as those areas are the most affluent areas in China. To augment the sales force, Aida also engages local agents wherever required and necessary. The Company has established selling and marketing offices in over twenty provinces, autonomous regions, and the four municipalities under the central government, and has representatives for establishing and maintaining relations with local hospitals and wholesalers. Currently, the Company has established close relations with over 200 wholesalers. Through this deep national network, Aida s drugs are being sold to several hundred county, city and provincial hospitals.

**Facilities**

The Company s headquarters are currently located in approximately 17,330 square meters of office space at 31 Dingjiang Road, Jianggan District, Hangzhou, China.

**Existing Production Facilities**

Currently, we own 3 plants and have obtained a prepaid land use right to acquire a long-term interest to utilize the land underlying the plants. Our production facilities are described as follows:

1.

Hangzhou Aida Pharmaceutical Co., Ltd. Constructed according to national Good Manufacturing Practice ( GMP ) standards, this plant occupies an area of approximately 17,330 square meters and has an annual production capacity of approximately 15 million powder doses, 150 million capsules and 200 million tablets.

2.

Changzhou Fangyuan Pharmaceutical Co., Ltd. Constructed according to national Good Manufacturing Practice ( GMP ) standards, this plant occupies an area of approximately 80,000 square meters and has an annual production capacity of approximately 7.5 million liquid doses and 3200 kilograms of Etimicin base.

26

3.

Hainan Aike Pharmaceutical Co., Ltd. Constructed according to national Good Manufacturing Practice ( GMP ) standards, this plant occupies an area of approximately 3,900 square meters and has an annual production capacity of approximately 12 million bottles of transfusion preparations.

We believe that the general physical condition of our plants and production facilities can completely satisfy our current production needs in terms of quantity and production quality.

**Employees**

Aida presently has approximately 500 employees total, with over 200 at its headquarters in Hangzhou. Each employee has executed an agreement with Aida in accordance with the *Labor Agreement Regulation of People s Republic of China*.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We believe the following is among the most critical accounting policies that impact our consolidated financial statements. We suggest that our significant accounting policies, as described in our consolidated financial statements in the Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

We recognize revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104. All of the following criteria must exist in order for us to recognize revenue:

1.

Persuasive evidence of an arrangement exists;

2.

Delivery has occurred or services have been rendered;

3.

The seller's price to the buyer is fixed or determinable; and

4.

Collectibility is reasonably assured.

For fixed-priced refundable contracts, the Company recognizes revenue on a completion basis. Progress payments received/receivables are recognized as revenue only if the specified criteria is achieved, accepted by the customer, confirmed not refundable and continued performance of future research and development services related to the criteria are not required.

We have identified one policy area as critical to the understanding of our consolidated financial statements. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting periods. With respect to net realizable value of the Company's accounts receivable, Long-lived assets and inventories, significant estimation judgments are made and actual results could differ materially from these estimates.

For the three months ended March 31, 2006, management of the Company provided a reserve on its accounts receivable to reflect management s expectation on the collectibility of aged accounts receivable. Management s estimation of the reserve on accounts receivable at March 31, 2006 was based on the current facts that there are aged accounts receivable. Management has assessed the customers ability to continue to pay the outstanding invoices timely, and whether their financial position will deteriorate significantly in the future which would result in their inability to pay their debts to the Company.

For the first quarter ended March 31, 2006, the Company had made no impairments for Long-lived assets. Long-lived assets of the Company are reviewed annually as to whether their carrying value has become impaired, pursuant to the guidelines established in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company also periodically evaluates the amortization periods of its depreciable assets to determine whether subsequent events and circumstances warrant revised estimates of the useful lives.

Management's estimation whether a provision is needed is based on management s analysis of the current facts of whether potential impairments on the current carrying value of the inventories due to potential obsolescence exist as a result of aged inventories. In making their judgments, management made their estimations of the potential impairments based on the demand for their products in the future and the trends of turnover of the inventories.

While the Company's management currently believes that there is little likelihood that the actual results of their current estimates will differ materially from such current estimates, if the financial position of its customers deteriorates, if there is a significant reduction in the carrying value of its Long-lived assets, or if, customer demand for its products decreases significantly in the near future, the Company could realize significant write downs for uncollectible accounts receivable, impairment of Long-lived assets or slow moving inventories.

**RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 2006 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2005**

The following table sets forth selected statements of income data as a percentage of revenues for the three months indicated.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2006 | 2005 |
| Revenues | 100.00% | 100.00% |
| Cost of goods sold | (55.95)% | (29.91)% |
| Gross margin | 44.05% | 70.09% |
| Research and development | (0.03)% | (2.52)% |
| Selling and distribution | (31.52)% | (32.13)% |
| General and administrative | (12.14)% | (11.39)% |
| Other income (expense) | 2.98% | (0.42)% |
| Income taxes | (1.82)% | (0.24)% |
| Minority interests | (1.25)% | (7.83)% |
| Gain from discontinued operation | 0.00% | 3.90% |
| Net income | 0.27% | 19.46% |

**Revenues, Cost of Goods Sold and Gross Profit**

Revenues for the three months ended March 31, 2006 were $5,331,827, an increase of $531,214 from $4,800,613 for the three months ended March 31, 2005. Compared to the first quarter of 2005, the increase in sales revenues from our group of companies engaging in the production of different types of Etimicin for the first quarter of 2006 and 2005 were as follows:

| | Three Months Ended March 31, | | Increase/ |
|---|---|---|---|
| Companies | 2006 | 2005 | (Decrease) |

| | | | |
|---|---|---|---|
| Hangzhou Aida Pharmaceutical Co., Ltd ( Hangzhou Aida ) specializes in the production of Etimicin powder | $ 1,332,506 | $ 2,521,965 | $ (1,189,459) |
| Hainan Aike pharmaceutical Co., Ltd ( Aike ) specializes in the production of Etimicin transfusion | 3,063,184 | 1,774,131 | 1,289,053 |
| Hangzhou Boda Medical Research and Development Co., Ltd.( Boda ) | - | - | - |
| Changzhou Fangyuan Pharmaceutical Co., Ltd. ( Fangyuan ) specializes in the production of Etimicin injection | 936,137 | 504,517 | 431,620 |
| TOTAL | $ 5,331,827 | $ 4,800,613 | $ 531,214 |

For the three months ended March 31, 2006, the sales of Hangzhou Aida decreased by $1,189,459 or 47.16% as compared to the same period of 2005. The decrease is mainly attributable to two factors. One is that the company is restructuring the sales organization which may have some short term impact on the sales. The other is that during 2006 the Chinese government implemented an enforcement program to monitor the resale of pharmaceutical drugs by distributors. This has caused a decrease in sales to distributors from pharmaceutical manufacturers and wholesalers. Since the Company sells its products to distributors, this has also caused a decrease in sales for the Company for the three months ended March 31, 2006. Hangzhou Aida is ready to take some new measures to adapt the new market environment and improve the operation result in sales in the following months.

For the three months ended March 31, 2006, the sales of Hainan Aike increased by $1,289,053 or 72.66% as compared to the same period of 2005. The increase in sales is the result of the intense marketing and promotion programs of a new Etimicin transfusion product, Aiyi which was put into the market in 2004.

For the three months ended March 31, 2006, the sales of Fangyuan increased by $431,620 or 85.55% as compared to the same period of 2005. The increase in sales is the result of the intense marketing and promotion programs of a new Etimicin injection product, Chuangcheng

The cost of goods sold for the first quarter ended March 31, 2006 was $2,983,114 an increase of $1,547,254 from $1,435,860 for the year 2005. The increase in cost of goods sold can be analyzed as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| Companies | 2006 | 2005 | Increase/ (Decrease) |
| Hangzhou Aida Pharmaceutical Co. Ltd. ( Hangzhou Aida ) specializes in the production of Etimicin powder | $ 382,950 | $ 589,861 | $ (206,911) |
| Hainan Aike pharmaceutical Co. Ltd. ( Aike ) specializes in the production of Etimicin transfusion | 1,785,339 | 755,558 | 1,029,781 |
| Hangzhou Boda Medical Research and Development Co.,Ltd. ( Boda ) | - | - | - |
| Changzhou Fangyuan Pharmaceutical Co., Ltd. ( Fangyuan ) specializes in the production of Etimicin injection | 814,825 | 90,441 | 724,384 |
| TOTAL | $ 2,983,114 | $ 1,435,860 | $ 1,547,254 |

The cost of goods sold of Hangzhou Aida for the three months ended March 31, 2006 decreased by $206,911, or 35.08% compared to $589,861 for the same period in 2005. The decrease in the cost of goods sold can mainly be accounted for by a decrease in sales by 47.16%.

Despite the increase in sales of 72.66%, the cost of goods sold of Aike increased by 136.29% for the three months ended March 31, 2006 compared to for the same period in 2005. The increase can partially be explained by the increase in sales. Another reason is that among Aike s sale increase, the products with relatively low margin accounted for a larger portion. As a result, the increase rate of the cost of goods exceeded the increase rate of the sales.

The cost of goods sold of Fangyuan for the three months ended March 31, 2006 increased by $724,384, compared to $90,441 for the same period in 2005.The increase is mainly due to the increase in sales. In order to ensure the steady supply of raw materials for the production of Etimicin safeguarded products, Aida acquired Fangyuan in February 2005. Fangyuan is the sole supplier of Etimicin raw material of the Group, and the acquisition has enabled the Group to enjoy the benefit of vertical integration and economies of scale and therefore lead to a lower cost of goods sold.

Despite the increase in total sales revenue of 11.07%, the cost of goods sold increased by 107.76% in the first quarter of 2006 compared to the same period of 2005. The Company has suffered a decrease in the gross profit margin.

Compared to the three months ended March 31, 2005, the percentage gross profit margin for our Company decreased from 70.09% to 44.05% for the first quarter ended March 31, 2006.

The decrease in gross profit margin percentage was mainly attributable to the increase in the cost of C1a, a precursor of Etimicin raw materials. Besides a slight decrease in the price of Etimicin by approximately 5% in the second half of 2005, another reason is the sale price reduction of other products.

The decrease in gross profit margin percentage was mainly attributable to the following factors: Firstly, among Aike s sale increase, the products with relatively low margin accounted for a larger portion, which lowered down the general margin percentage as Aike contributed over 50% of the company s total sales in the quarter. Secondly, the increase in the cost of C1a, a precursor of Etimicin raw materials. Thirdly, a slight decrease in the price of Etimicin by approximately 5% in the second half of 2005.

**Research and Developments**

Research and development decreased to $1,600 for the first three months of 2006 from $120,823 for the same period last year. The research and development costs incurred in 2005 represented cost incurred for toxicological tests for the Etimicin product with a view of improving the quality of the drugs. No such cost was incurred for the first quarter this year.

**Selling and Distribution**

Selling and distribution expenses increased from $1,542,479 for the three months ended March 31, 2005 to $1,680,669 for the same period this year, or an 8.96% increase. Compared to the same period in 2005, our increase in the expenses was because of the following:

| | Three Months Ended March 31, | | Increase/ |
|---|---|---|---|
| Breakdown of Expenses | 2006 | 2005 | (Decrease) |
| Traveling expenses | $ 487,849 | $ 401,564 | $ 86,285 |
| Sale commissions | 217,376 | 287,026 | (69,650) |
| Office expenses | 224,165 | 211,471 | 12,694 |
| Payroll | 94,424 | 77,312 | 17,112 |
| Conference fees | 69,188 | 117,325 | (48,137) |
| Rent | 68,136 | 27,173 | 40,963 |
| Entertainment | 53,087 | 52,887 | 200 |
| Other expenses | 220,208 | 219,038 | 1,170 |
| Advertising expenses | 246,236 | 148,683 | 97,553 |
| TOTAL | $ 1,680,669 | $ 1,542,479 | $ 138,190 |

For the three months ended March 31, 2006 traveling expenses and office expenses increased by $86,285 and $12,694 respectively, compared with the same period last year. The increase can mainly be explained by the increase in sales of 11.07%.

To increase the sales, the Company carried out more advertisements, which resulted in the increasing advertising expenses in the first quarter of 2006. For the three months ended March 31, 2006 the rent expenses increased by $40,963, compared with the same period last year. The increase was the reason that the company set up some new offices early this year. Currently management of the Company is consolidating and restructuring the sales forces of various subsidiaries with a view of minimizing the selling and distribution expenses.

**General and Administrative**

General and administrative expenses increased from $546,684 for the three months ended March 31, 2005 to $647,210 for the same period this year, representing a 18.39% increase. The details of general and administrative expenses for the three months ended March 31, 2006 and 2005 were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| Breakdown of Expenses | 2006 | 2005 | Increase/ (Decrease) |
| Traveling expenses | $ 63,216 | $ 47,108 | $ 16,108 |
| Office expenses | 27,660 | 41,073 | (13,413) |
| Payroll | 117,810 | 109,254 | 8,556 |
| Conference fees | 0 | 6,797 | (6,797) |
| Rent | 448 | 5,595 | (5,147) |
| Consultancy fees | 77,407 | 12,177 | 65,230 |
| Entertainment | 36,287 | 22,955 | 13,332 |
| Other expenses | 137,628 | 186,306 | (48,678) |
| Depreciation | 151,884 | 75,487 | 76,397 |
| Social compensation | 34,870 | 39,932 | (5,062) |
| TOTAL | $ 647,210 | $ 546,684 | $ 100,526 |

For the first quarter ended March 31, 2006, the Company incurred $63,216 in traveling expenses as compared to $47,108 for the same period last year. This increase resulted from an increase in the number of traveling employees of Hainan Aike.

The consultancy fees which the company pays consultants for their consultation service increased from $12,177 for the three months ended March 31, 2005 to $77,407 for the same period this year. The increase was mainly attributable to an increase in consultation service of Fangyuan in the first quarter this year.

Depreciation and amortization of plant and equipment for the three months ended March 31, 2006 increased by $76,397 from $75,487, compared to the same period in 2005. The increase was primarily due to the increases of Fangyuan and Hangzhou Aida of $42,447 and $27,903 respectively. The reason was due to an increase in plant and equipment of Hangzhou Aida and in land use right of Fangyuan.

**Other Income (Expenses)**

Other income (expenses) increased from $(20,642) for the three months ended March 31, 2005 to $159,243 for the same period this year. The other income (expenses) for the three months Ended March 31, 2006 and 2005 were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| Breakdown of Other income/(expenses) | 2006 | 2005 | Increase/ (Decrease) |
| Interest expense, net | $ (269,605) | $ (213,979) | $ (55,626) |
| Government grants | 459,993 | - | 459,993 |
| Gain from nonmonetary transaction | - | 125,097 | (125,097) |
| Other (expense) income, net | (31,145) | 68,240 | (99,385) |
| TOTAL | $ 159,243 | $ (20,642) | $ 179,885 |

Interest expense for the three months ended March 31, 2006 increased by $55,626 from $213,979 for the same period last year. The increase is due to the increase in bank borrowings as a result of more requirements for working capital with the development of the Company.

Government grants of $459,993 for the three months ended March 31, 2006 represented subsidies from the government and no such subsidies were reported in the same period last year.

Other (expense) income decreased from $68,240 for the three months ended March 31, 2005 to $(31,145) for the three months ended March 31, 2006. The decrease is mainly due to the fact that there was a reward from the government for the Company s contribution in terms of high-technology in the first quarter last year.

**Income Taxes**

Income tax expense was $97,143 for the three months ended March 31, 2006, as compared to $11,402 for the same period last year.

In accordance with the relevant tax laws and regulations of PRC, the corporation income tax rate is 33%. As a Company registered in Hainan, PRC, Aike is entitled a beneficial corporate income tax rate of 15% in accordance with the relevant tax laws in the PRC. Fangyuan enjoys a beneficial tax rate of 15% as it is registered in a national high-tech development zone. According to the relevant laws and regulations of PRC, the preferential tax rate of 15% is applied to companies established in the national high-tech development zone.

In accordance with the relevant taxation laws in the PRC, from the time that a company has its first profitable tax year, a foreign investment company is exempt from corporate income tax for its first two years and is then entitled to a 50% tax reduction for the succeeding three years. Since Hangzhou Aida Pharmaceutical Co., Ltd has been a foreign investment company since 2004, so we are entitled to a 50% tax reduction in 2006.

**Net Income**

In the first three months of 2006, our net income decreased by $919,599 to a net income of $14,536 from $934,135 in the same period in 2005.

**LIQUIDITY AND CAPITAL RESOURCES**

**Cash**

Our cash balance decreased by $902,044 to $2, 227,406 as of March 31, 2006, as compared to $3,129,450 as of December 31, 2005. The decrease was mainly attributable to cash out flow of investing and financing activities of $740,186 and $608,917, respectively, an increase in inventories of $1,006,797 and a decrease in other payables and accrued liabilities of $502,025. The decrease in cash flow was partially offset by an increase in accounts payable and depreciation and amortization of $1,678,111 and $385,226, respectively. The net cash flow was a deficit $(943,945) for first quarter this year.

Our cash flow from operations amounted to $405,158 for the three months ended March 31, 2006, compared to $6,531,921 for the same period last year.

Our cash flow used for investing activities amounted to $740,186 of which $393,117 was used for the purchase of land use right. The Company invested $201,395 and $124,211 in the purchases of plant and equipment and deposit for long term investment respectively.

The net cash used in financing activities amounted to $(608,917) of which $2,692,925 was used for the repayments of short-term debt.

At March 31, 2006, the Company had short-term debt of $18,757,785 of which $11,307,221 was short-term bank borrowings and the remaining $7,450,564 represented notes payable to unrelated parties. The interest for the short-term borrowings varied from 4.575% to 6.975% per annum whereas the notes payable to unrelated parties is interest free. The Company believes that the cash generated from normal operation will be sufficient to pay off its liabilities as the short-term borrowings and commitments fall due.

**Working Capital**

Our working capital deficiency decreased by $1,972,454 to $(3,879,469) at March 31, 2006, as compared to $(5,851,923) at December 31, 2005. The decrease in working capital deficiency at March 31, 2006 was mainly attributable to our decrease in short term debt of $2,692,925 and other payables and current liabilities of $1,075,345 and an increase in inventories of $1,006,797 offset by an increase in accounts payable of $1,678,111 and a decrease in cash of $943,945.

The Company currently generates its cash flow through operations and the Company believes that its cash flow generated from operations will be sufficient to sustain operations for the next twelve months. Also, from time to time, the Company may require extra funding through financing activities and investments for expansion. Also, from time to time, the Company may come up with new expansion opportunities for which our management may consider seeking external funding and financing. However, as of March 31, 2006, the Company had no solid plan for additional capital through external funding and financing.

**Code of Ethics**

The company has adopted a code of ethics that applies to the company's principle executive officer, Principal financial officer, principal accounting officer or controller. The Company will provide, at no cost, a copy of the Code of Ethics

to any shareholder of the Company upon receiving a written request sent to the Company s address shown on Page 1 of this report.

**Item 3. Controls and Procedures.**

(a)

Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this Quarterly Report for the period ended March 31, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the SEC's rules and forms. Based upon that evaluation, the Chairman and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's period SEC filings.

(b)

Changes in Internal Controls.

Subsequent to the date of such evaluation as described in subparagraph (a) above, there were no significant changes in our internal controls or other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

In December of 2005, the Company filed a legal action against Hainan Haomai Pharmaceutical Co., Ltd for its infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately USD 60,000 for the infringement. The judgment is expected to come in the near future.

32

**Item 4. Submission of Matters to a Vote of Security Holders.**

On February 24, 2006 the Company amended its Articles of Incorporation to change the name of the Company to Aida Pharmaceuticals, Inc. The amended articles were filed with the State of Nevada on February 24, 2006 and the name change became effective today, March 6, 2006. The action was approved by written consent of the shareholders and directors of the Company on January 9, 2006. An Information Statement describing the name change was filed with the Securities and Exchange Commission and mailed to all shareholders of record on January 19, 2006.

**Item 6. Exhibits and Reports on Form 8-K.**

**Reports on Form 8-K**

| **Date** | **Form** | **Items Reported** |
|---|---|---|
| 1-11-06 | 8-K/A | 2.01, 3.02, 5.01, 5.02, 5.03, 5.06 and 9.01 |
| 2-2-06 | 8-K | 4.01 and 9.01 |
| 2-27-06 | | |

8-K

5.02

3-7-06

8-K

5.02 and 9.01

4-14-06

8-K

2.02 and 9.01

**Exhibits**

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

| Exhibit No. | Title of Document | Location |
|---|---|---|
| 31.1 | Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Attached |
| 31.2 | Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Attached |
| 32.1 | Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* | Attached |
| 32.2 | Certification of the Principal Financial Officer | |

| | |
|---|---|
| pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* | Attached |

***** The Exhibit attached to this Form 10-QSB shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

**SIGNATURES**

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AIDA PHARMACEUTICALS, INC.**

Date: January 31, 2007

*/s/ Biao Jin*

Mr. Biao Jin

Chief Executive Officer

Date: January 31, 2007

*/s/ Hui Lin*

Ms. Hui Lin

Chief Financial Officer